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**THE IMPACT OF INDUSTRIAL RELATIONS
ON WORKERS' WELFARE
IN INDONESIA**

**BY
SUTANTA**

**This dissertation is submitted in fulfilment of the requirements
for the degree of Doctor of Philosophy
University of Glamorgan**

September 25, 1997.

DECLARATION

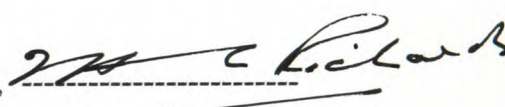
I declare that with the exception of the assistance acknowledged, this dissertation is the result of my own investigation. This work has not already been accepted in substance for any degree, and is not being currently submitted in candidature for any other degree.

Signed, _____



Sutanta
(Candidate)

Signed, _____



Mr Hamish Richards
(Supervisor)

DEDICATION

This study is dedicated to my late father, Bapak Haji Ahmad Dirdjo Suwarno, who passed away in 1995, when I was in Wales for the propose of this study.

ACKNOWLEDGEMENT

The successful completion of a study of this nature involves various contributions and assistance from different sources. Firstly, I wish to express my deepest thanks and sincere appreciation to my supervisor, Mr Hamish Richards, who always encouraged me. I thank him not only for providing guidance throughout this study, but also for his kindness, support and personal encouragement that inspired me to continue and accomplish the study. Secondly, to Prof. Jonathan Morris, at the Business School, University of Glamorgan, who was always ready to discuss my work and read the final version of the thesis. Thirdly, to Mr. David Coulborne, for assisting me with the statistical techniques and discussing the analysis. Fourthly, to Prof. Martin Laffin, Chair, Research Degree Committee for his guidance and support during the preparation for submission. Fifthly, to Ms. Dionne Johnson, who corrected the English grammar of this thesis.

I also wish to thank staff of the International Institute of Labour Studies (IILS) Geneva, especially to Dr Rosemary Greve, who provided guidance and assistance during the secondary data gathering in Geneva, as well as all other staff of IILS and ILO who helped me during my visits to the International Labour Office. To Mr Tom Etty, of the FNV for fruitful discussions during attending the ILO Conference in Geneva. To the Secretary of the International Industrial Relations Research Association (*IIRA*), Ms Kate Mennie-Cecconi, who ensured access to the research publications of the association. To Prof. Russell Lansbury, of the University of Sydney and Prof. Anil Verma, University of Toronto who provided time for discussion, both during attending the 10th World Congress of the IIRA, in Washington DC and, the 3rd Asian IIRA Congress in Taipei.

I would also like to express my gratitude and appreciation to the General Chairman of the SBSI, Dr Muchtar Pakpahan, General Chairman of the FSPSI, Mr. Bomer Pasaribu M.Sc., Chairman of the APINDO, Mr Subingar Sukarton and its Secretary General, Mr Reonaldo Thamrin, the Director of PT *Jamsostek*, Mr Budi Maryoto for their time to discuss this subject.

I would also like to express my gratitude to both the Minister of Manpower of the Republic of Indonesia, Mr Abdul Latief and the Director General of Industrial Relations and Labour Standards, Mr Suwarto, who encouraged me with personal guidance to explore this subject. To the Head of the Centre of Manpower Development and Training, Dr Yudo Swasono and the Secretary of the Centre, Mr Noer Djaelani, M.Sc., who provided financial resources, and to all other colleagues at the Ministry of Manpower who provided clippings and other information as well as encouraging me to the completion of this study. Special thanks also go to Dr Payaman J. Simanjuntak APU, who provides valuable information on the current industrial relations system in Indonesia.

Special appreciation goes to the many workers in Tangerang, who inspired me with their stories which have been used to illustrate this study, and to the personnel managers of the companies who provided their time and knowledge.

Special thanks to the local authority of Tangerang, including the Head and Staff of the Ministry of Manpower, the labour inspectors and industrial relations officers, to the police and military officers, who, during the field work, provided in-dept information. To the Rector of the University of Islam Syekh Yusuf, Tangerang, Prof. Maulana Yusuf, and the Secretary of the Centre for Human Resource Management (LPPM), Mrs Warsinah, as well as students and lecturers of the University in Tangerang, who were involved in the field work. My sincere thanks go to Mr Abdul Chalid and Mas Agus (research assistants), as well as to Mrs Kartina and their families who provided accomodation during the field work in Tangerang.

I also wish to thank Bapak Sardjono Sigit, Bapak Amir Santoso, Bapak Kristio Wahyono and other colleagues at the Indonesian Embassy, in London, who also provided me with support and guidance in the accomplishment of my study. To Mr. and Mrs. Marsudi Mansoer, Pak Joko Susilo, Ibu Mamik, and other colleagues at the Indonesian Student Society (PPI) in Wales and other part of the United Kingdom, all of whom provided inspiration and made life enjoyable during my period of study.

Finally, my deepest thanks go to my mother, brothers, sisters, my wife Maria Murdiana, my daughter Merry Dwi Sutanti, my sons Gatot Murdiono and Ardifian Suwarno for their support, encouragement and sacrifice during the length of my study.

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ABBREVIATIONS

APINDO	:	<i>Asosiasi Pengusaha Indonesia</i> - Indonesian Employers' Association
<i>Arisan</i>	:	Rotating savings of money within workers' group
ASEAN	:	Association of Southeast Asian Nations
BKKBN	:	<i>Badan Koordinasi Keluarga Berencana Nasional</i> - National Family Planning Co-ordinating Board
FBSI	:	<i>Federasi Buruh Seluruh Indonesia</i> - All Indonesian Trade Unions Federation
FSPSI	:	<i>Federasi Serikat Pekerja Seluruh Indonesia</i> - Federation of All Indonesian Worker's Unions)
GASBIINDO	:	<i>Gabungan Serikat Buruh Islam Indonesia</i> - Indonesian Amalgamation of Trade Unions
GOI	:	Government of the Republic of Indonesia
GOLKAR	:	<i>Golongan karya</i> - The Ruling Party
GSBI	:	<i>Gerakan Serikat Buruh Indonesia</i> - Indonesian Trade Union Movement
HIP	:	Hubungan industrial <i>Pancasila</i> - <i>Pancasila</i> industrial relations
ICFTU	:	International Confederation of Free Trade Unions
IIRA	:	International Industrial Relations Association
ILO	:	International Labour Organisation
IILS	:	International Institute of Labour Studies
KADIN	:	<i>Kamar Dagang dan Industri Indonesia</i> - Indonesian Chamber of Commerce and Industry

KBSI	:	<i>Kongres Buruh Seluruh Indonesia</i> - Indonesian Trade Union Congress
KORPRI	:	<i>Korps Pegawai Republik Indonesia</i> - Indonesian Civil Servant Corps
LAPTAP	:	Labour and Population Team for Asia and the Pacific
LPPM	:	<i>Lembaga Pengkajian dan Penelitian Manajemen</i> - Centre for Research and Development on Human Resource Management, University of Islam, Tangerang
MLO	:	Malaysian Labour Organisation
MPBI	:	<i>Majelis Permusyawaratan Buruh Indonesia</i> - Indonesian Council of Trade Unions
MTUC	:	Malaysian Trade Union Congress
NFV	:	Netherlands Confederation of Trade Unions
NGO	:	Non-governmental organisation
NKKBN	:	<i>Norma Keluarga Kecil, Bahagia dan Sejahtera</i> - Small, Happy and Prosperous Family Norms
NTUC	:	National Trade Union Congress of Singapore
P4D	:	Panitia Penyelesaian Perselisihan Perburuhan Daerah - The Regional Committee of the Settlement of Labour Disputes
P4P	:	Panitia Penyelesaian Perselisihan Perburuhan Pusat - The Central Committee of the Settlement of Labour Disputes
<i>Paguyuban</i>	:	Informal gathering within specific group of workers based on traditional customs
PAP	:	People Actions' Party - The Ruling Party in Singapore
PGRI	:	<i>Persatuan Guru Seluruh Indonesia</i> - Indonesian Teacher's Association

PIR	:	<i>Pancasila Industrial Relations</i>
PKI	:	<i>Partai Komunis Indonesia</i> - Indonesian Communist Party
PNI	:	<i>Partai Nasional Indonesia</i> - Indonesian Nationalist Party
Posyandu	:	Pos Pelayanan Kesehatan-KB Terpadu - Post Centre of Integrated Health and Family Planning Services
PT Jamsostek	:	<i>Perusahaan Terbatas Jaminan Sosial Tenaga Kerja</i> - State-owned enterprises dealing with Social Security for Workers
PUK FSPSI	:	<i>Pengurus Unit Kerja</i> - Factory-Unit of FSPSI
Puskesmas	:	Pusat Kesehatan Masyarakat - Community Health Centre
<i>Repelita</i>	:	<i>Rencana Pembangunan Lima Tahun</i> - Five-Year Development Plan
SBII	:	<i>Serikat Buruh Islam Indonesia</i> - Indonesian Moslem Trade Union
SBLP	:	<i>Serikat Buruh Lapangan Perusahaan</i> - Industrial Unions of FBSI
SBM <i>Setia Kawan</i>	:	<i>Serikat Buruh Merdeka Setia Kawan</i> - The Freedom of Workers' Union (<i>Setia Kawan</i>)
SBSI	:	<i>Serikat Buruh Sejahtera Indonesia</i> - Indonesian Prosperous Workers' Union
SOBSI	:	<i>Serikat Buruh Sosialis Indonesia</i> - Indonesian Socialist Trade Unions.
SPSI	:	<i>Serikat Pekerja Seluruh Indonesia</i> - All Indonesian Workers' Unions
SPTP	:	<i>Serikat Pekerja Tingkat Perusahaan</i> - Factory-base trade union
TUCP	:	Trade Union Congress of the Philippines

UMR : *Upah Minimum Regional* - Regional Minimum Wage Policy

YLBHI : *Yayasan Lembaga Bantuan Hukum Indonesia* - Indonesian Legal Aids Foundation

Abstract

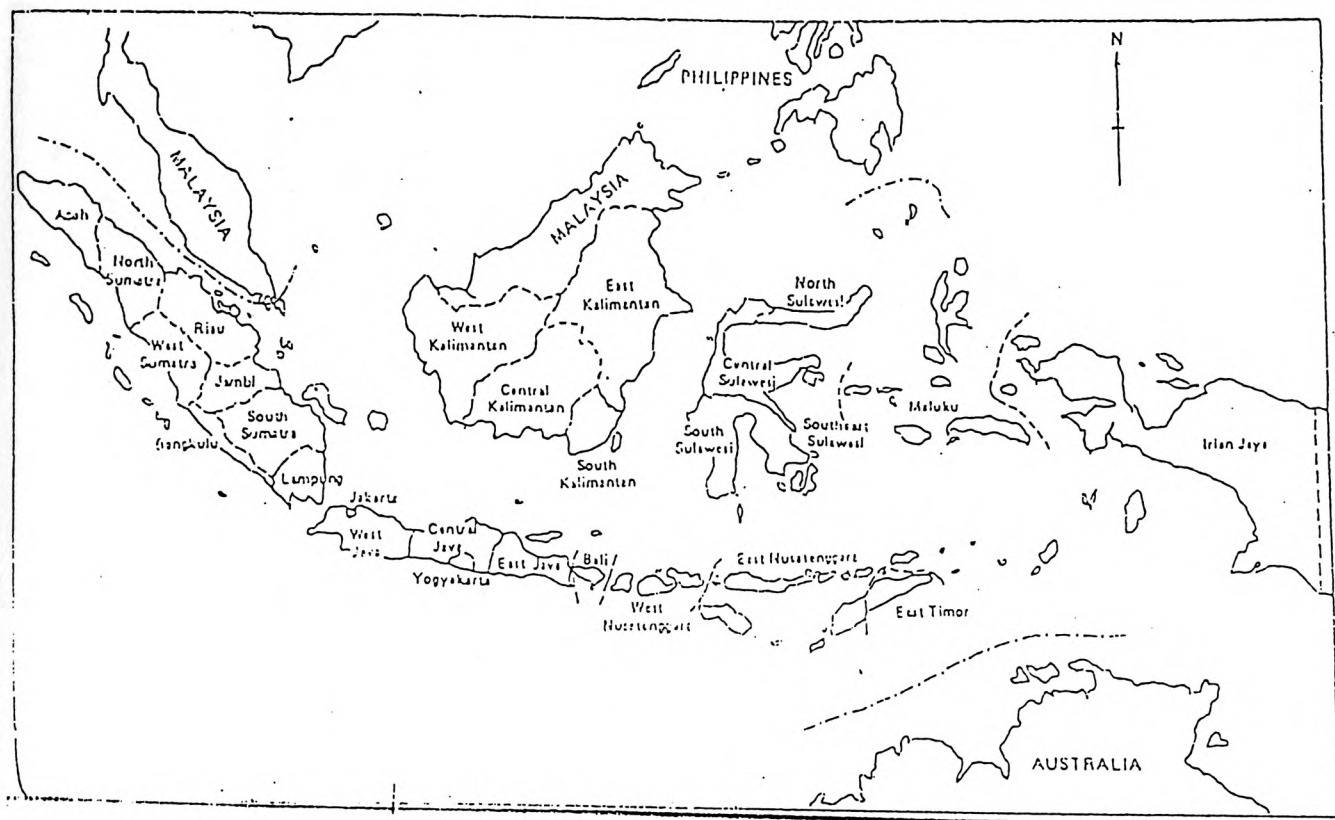
This thesis examines the current practice of industrial relations, in relation to workers' welfare, with particular reference to three *kecamatan* (sub-district) of Tangerang, West Java. This study begins by looking at Dunlop's systems theory of industrial relations, which defines industrial relations as a sub-system of the socio-political system in a specific environment. In Indonesia, this sub-system is called the *Pancasila* industrial relations (PIR).

After presenting an overview of industrial relations and practices in economically advanced countries and those prevailing in the developing world, especially in the ASEAN, the thesis goes on to examine the current industrial relations system in Indonesia, drawing attention to internal and external criticisms led by the ILO and European based sectoral trade union organisations. This study confirms the allegations, the most significant of which is the right to organise in Indonesia is limited. It is, however, suggested that the Western model of unionism is not appropriate for adoption, given the fact that workers tend to organise within their own traditional institutions and they can effectively utilise the existing mechanisms to achieve bipartite communications. The specific roles of the tripartite constituents, in terms of providing welfare services in Indonesia are then discussed, in relation to the existing laws and regulations, which suggest that the existing regulations could be strengthened, if integral welfare services are to become more applicable in the Indonesian environment.

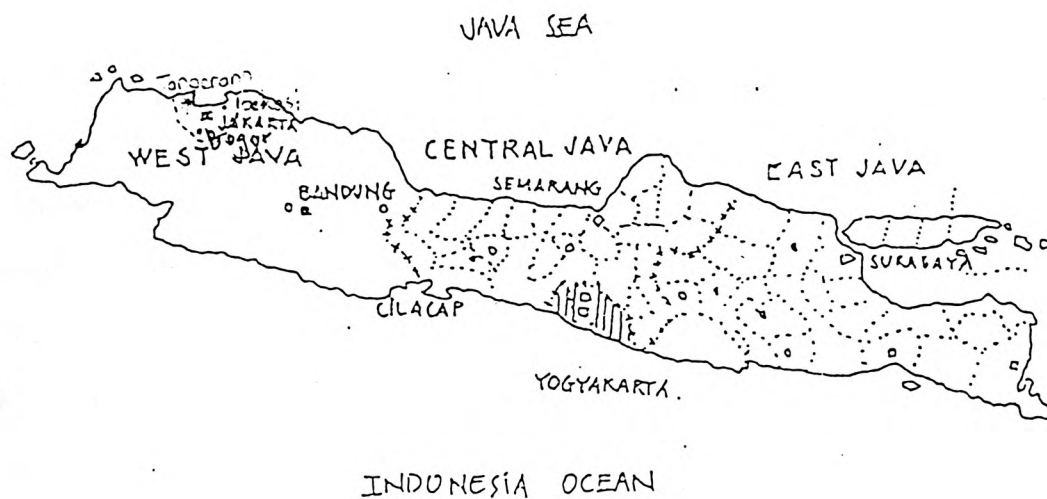
The study suggests that, there is a solid basis, on which a more relevant indigenous industrial relations structure could be built. While the PIR concept encompasses and enshrines the cultural concepts of the people of Indonesia, the traditional institutions of *Paguyuban* and/or *Arisan* can be utilised to create an appropriate means of communication between workers and management. *Paguyuban* can become a facilitating role for building strong, independent, factory-based trade unions (SPTPs). Together, *Paguyuban* and the PIR framework can provide a relevant industrial relations system for the renaissance of industrial relations in Indonesia.

Chapters six to nine analyse findings based on survey responses from 600 workers, and ten personnel managers, together with interviews with a further twenty personnel managers and factory owners. These analyses suggest that both workers and managers appreciate the importance of welfare programmes in improving workers' welfare. A lack of commitment from factory owners may, however, hinder the implementation of such programmes, although, in principle, they also appreciate the concept.

Map of Indonesia



Map of Java island
(* research location)



Map * Location of the Study Area:
Island of Java

Over the years, worker's rights have been curtailed through government intervention in the industrial relations process, including interference by the military and police in union activity. The government has limited unionisation to a single federation, the FSPSI (All Indonesian Federation of Workers' Union), although other unions exist, especially the SBSI (Indonesian Welfare Trade Unions) which receives support from ICFTU (International Confederation of Free Trade Unions) and other international trade union movements. Throughout the New Order period, the only years of substantial labour unrest were from 1978 to 1982, and again in 1990 and 1991, the latter concentrated on foreign-owned firms in the low wage footwear, garment and textile industries. The failure of such labour unrest to impact on wages and working conditions indicates union weakness, which reflects the continued labour surplus conditions which limit the scope for union-led improvement.

Tom Etty of the Netherlands Confederation of Trade Unions (NFV) pointed out during the 85th International Labour Conference in Geneva (June 1997), that although workers' welfare has improved, the prime issue of lack of freedom of association remains the grave concern of the international worker's organisations with respect to industrial relations in Indonesia.

The hypothesis of this study is that while Indonesia, and numerous other developing countries, have ratified ILO Convention No. 98 of 1949 on the right to organise and bargain collectively, due to the authoritarian nature of the governments, the practice of industrial relations has ignored the provision as stipulated by the Convention (ILO, 1997a). It is however, argued that such provision is not practicable unless the attitude and commitment of both government and employers change. In this situation, the impact of more economically focused decision-making at the micro-level,

including the acceptance of the concept of a smaller family norm by workers, is of equal relevance.

This study aims to explore the potential of the industrial relations system to contribute to improving workers' welfare in order to smooth the way to sound industrial relations in the workplace with special reference to Indonesia, and to examine the validity of the view that socio-political factors, influencing the attitude of management and union hierarchies, are the major influence on industrial harmony which leads to an improvement in labour productivity.

The objectives of the study, therefore explores three inter-related issues :

- (i) an assessment of the contribution of the prevailing PIR (*Pancasila* Industrial Relations) system in establishing economically oriented management/labour relations at the enterprise level with particular emphasis on the successful implementation of plant level family welfare programmes;
- (ii) an assessment of the current situation on the right to organise for workers at the plant level; either by means of formal or informal organisation; and,
- (iii) qualitative approaches on the relationship between workers' welfare and improvements in productivity, specifically the linkage between the living environment and the workplace.

To achieve the above objectives, a sample survey of 600 workers was identified. At the same time, interviews were carried out with managers and/or factory owners regarding their attitude towards workers' welfare and the prevailing conditions of industrial relations at the workplace and at the workers' living environments.

This study used both quantitative and qualitative methods.

The framework is supported by Hein (1990), who postulated that there are three main factors influencing plant-level decisions regarding the status of workers' welfare programmes. These are enterprise factors; management characteristics, and factors attributable to the workers. She does not include factors attributable to the function of industrial relations, especially the right of workers to organise.

A clear connection between family circumstances and repercussions culminating in events at the factory level, as occurred in Japan, has been highlighted by Richards (1988b), and cited in Sutanta (1993). This particular example records that the personnel manager of the Nippon Steel Company was shocked when he visited the victim on an industrial accident at the factory-owned hospital and listened to the worker talking in a state of delirium about his child's fever. His child's illness had prevented him from getting any sleep the previous night which in turn had resulted in his serious accident the next morning. The personnel manager realised intuitively that safety began at home, and inspired by the apparent correlation between safety and a stable family life, he scrutinised the causes of industrial accidents which had occurred in the factory over the preceding years and found that about 70 per cent of all accidents were attributable to difficulties in the private lives of the workers. After having a favourable response from the trade unions concerned, the employer decided to implement a family planning programme within the factory.

1.2 Analytical framework

John T. Dunlop in his pioneering work (1958) *Industrial Relations System*, which, according to Meltz (1989) in his paper presented to the Eighth World Congress of the International Industrial Relations Association (IIRA), has *become perhaps the most influential book in the field of industrial relations.....*, stated that there is a close relationship between the prevailing socio-political situation within a country and the experience of the trade union leadership. Meltz argues that while *after three decades Dunlop's Industrial Relations System is alive and well.....*, however a number of criticisms may be made, the most important of which are that the model is static while, at the same time, it assumes that there is a balance between labour and management through a shared ideology. In addition, it would appear to ignore the relationship between current economic, social and welfare conditions under which individuals work and live and what impact such conditions may have on workers' performance in improving productivity or their performance at the workplaces. Nevertheless, he concludes that Industrial Relations System continues to provide a basic and necessary theoretical framework.

This implies that the activities of trade unions are influenced by the social and political environment prevailing in the country. This continues to be one of the major points of emphasis in the 1993 edition of industrial relations system of Dunlop although the latter is a much expanded version of the original publication.

It is possible to identify at least four major divisions in terms of current industrial relations theory. The first and most significant is the *systems approach* which follows Dunlop and stresses social pluralism. The second is the development of representative *institutions* plus the development and analysis of industrial relations

rules developed by Flender (1966), cited in Bamber and Lansbury (1993). The third is the *Marxist approach* which lays emphasis on class and political and economic struggles. The fourth is the *pragmatic approach* in which theory plays little or no role in research.

Economic relationships are important in the systems approach and industrial relations theories are identified with contending political ideologies. Conversely, the radical left criticises the pluralist-institutionalist approach as being too conservative; too concerned with controlling conflict and too committed to the preservation of the *status quo*.

The systems approach was emphasised in Indonesia during a national seminar sponsored by the Government of Indonesia (GOI) and FES (Frederick Ebert Stiftung) a German foundation held in Jakarta in 1974. A system has been developed since then based on the cultural and social values of Indonesia called *Pancasila* industrial relations (PIR)", (Ministry of Manpower 1985). As pointed out by the Director General of Industrial Relations and Labour Standards, Suwanto (1994), the PIR concept involves the basic principles of Indonesian national philosophy which are based on the spirit of brotherhood and mutual assistance (*gotong royong*) as well as a pervasive desire to reach a consensus. Whenever differences appear between parties, all are aware that the issues should be resolved through agreement arrived at without provocation. This is in keeping with the generalisation applicable to *new nationalist societies* made by Dunlop (1977) in his paper "Policy Decisions and Research in Economics and Industrial Relations". The Indonesian model is, in fact similar to the Chinese ideology, where the emphasis is on corporatism. In its relevance to prevailing industrial relations in Indonesia, it is important that the philosophy is applicable not

only in terms of politically oriented relationships, at the national level, but also in the context of plant level management/labour relations.

There is a tendency for the approaches of industrial relations in economically advanced countries are not to be well-accepted in the growing Asian economies as the latter rely on economic growth, with workers considered as *partners* in the production process. In the Indonesian case, *informal gatherings* (*Paguyuban* and *Arisan*) seem to be of equal relevance in the context of the growing needs for adequate employment relations as well as the resurgence of independent, more democratic unions, the so-called factory-based trade unions (SPTP).

1.3 Justification of the current research

The question of the relationship between union activities and the socio-political life of workers in developing countries has been the subject of a number of research programmes carried out over the decade of the eighties. Kassalow (1988) stated that it was perhaps inevitable that, in currently developing countries, where the state plays a central role in the economic development process, the function of trade unions should be defined and modified according to emerging needs and roles. In this regard, the inter-relationship between workers' welfare and improving their working performance is a significant field of research which can indicate whether the acceptance of a smaller family norm, itself encouraged by the provision of welfare facilities, will influence both productivity and industrial harmony at the workplace, especially in countries such as Indonesia, which are striving to achieve industrialisation in a relatively short time frame.

The major incentive for a worker to join a trade union is probably in order to provide a better life for himself and his dependents. Until now, theorists following the lead of Dunlop have concentrated on the involvement of industrial relations in building a suitably responsive and efficient socio-political environment. Hence, little mention has been made of another significant factor likely to improve the daily economic life of workers' families. This is the impact of the acceptance of a smaller family norm. The current research will attempt to address this phenomenon. It is highlighted by Richards (1988) in articles in both the International Labour Review and the Philippine Journal of Labour and Industrial Relations, on the analysis of a plant level family welfare programme in the Philippines. It is also presented by Richards (1989) in Family Planning or Family Welfare? A Study of Two Approaches Aimed at Reducing Family Size in the Philippines, and Aganon et al (1994) in Population and Family Welfare Programmes at the Enterprises Level: The Philippines Experience. There is also an initial generalised analysis with respect to Indonesia in Sutanta (1993), Strengthening Family Planning Services in the Organised Sector: the Actual and Potential Situation in Indonesia.

Manning (1993) argued that labour unions have remained weak in Indonesia throughout the New Order period. As a result of the banning, in 1968, of the leftist All-Indonesia Workers' Organisation (SOBSI) and removal of its leaders from the industrial relations scene, the union movement was weakened. A unified trade union movement was seen by the military and their economic advisers as being in the best interests of political control, economic stability and growth, and this was achieved by the establishment of the government-backed the FSPSI in 1973.

Contrary to the findings of Manning, this study suggests that the *Pancasila* industrial relations system seems to be of relevance to the Indonesian situation, but a

number of appropriate prerequisites are essential. Firstly, the understanding in the workforce must be continually improved, hence plant-level training in industrial relations principles is essential to enable workers to understand the industrial relations system. Secondly, deliberation to reach consensus, as epitomised by the system, will only come to reality where both workers and management have equal strength in the bargaining process, either in collective labour agreements or negotiation in the settlement of disputes. Thirdly, there is a need to create awareness among employers to promote welfare services at the workplace level. The partnership system, as the pillar of the PIR system is still, however in its *infancy* as genuine participation for workers to join in and consult on the companies policy remains weak. The present study found that this is absent in virtually all cases, except in the context of co-operatives, where workers have become part of the share-holding group. The most important point to emerge, however, was the lack of workers' rights provided by the labour regulations, resulting in a weak position on the part of the workers. Similar conclusions were made by the committee on the application of ILO standards at the 85th Session (June 1997) of the international labour conference, which stated that, although progress has been achieved so far, in terms of the right to organise for workers, sufficient measures have not yet been taken by the tripartite constituents to implement these rights. For instance, Ministerial Decision No. 1109 of 1986, on the right of employers to interfere in the setting up of a union, has been banned and revision has been made by a Ministerial regulation No. 438 of 1992. The ILO concluded that, unless wider opportunity for workers to organise themselves are provided, the situation will remain unsettled.

1.4 Field work

Indonesia is an extraordinarily diverse country in its ecology, economy, demography, social structure and culture, as well as political spectrum. This diversity exists in every part of the country. The population exceeded 200 millions in 1997, characterised by multi-ethnic and religious differentiation, but mostly Moslem (90 per cent), speaking different local languages and with a gradually changing style of life moving away from traditional activity which depended on agricultural production into the modern sector, Indonesia is becoming a so-called *industrialised economy*. Approximately 40 per cent of the total population now live in urban areas, an increase of about five fold in three decades. The New Order government, which has been in power since 1968, backed by the Ruling Party (*Golongan Karya*), in its Sixth Five-Year Development Plan (1993-1998) envisages achieving industrialisation in order to improve the quality of life of Indonesians as a whole through the strategy of emphasising economic growth, stability and social justice. A major influence will be the expansion of industrial establishments, mainly in manufacturing and services. In the second phase of Indonesia's national development, which commenced in 1994, industrialisation is the main focus in order to enhance economic growth. In this regard, a significant increase in the work-force is anticipated and, consequently, it is likely that industrial disputes and labour unrest will inevitably become more prevalent.

Indonesia has achieved a significant level of economic growth during the period since 1969. Since that time an average rate of national economic growth of at least 6 per cent per annum has been recorded (Hill, 1994). All sectors of Indonesian society have played a role in achieving this goal, including the trade unions. No data have been compiled, however, to analyse the inter-relationship between workers and employers in improving workers' welfare and performance at the workplace.

This research focuses on the impact of industrial relations on population/family welfare programmes in the organised sector at Tangerang, West Java. Tangerang was chosen for the field work as it is one of the rapidly expanding regions of industrial and economic growth where the private sector is playing a significant role, being responsible for at least twenty per cent of the new investment in the manufacturing industry. At the same time, it is an area of increasing labour unrest (Manning, 1993). Tangerang is a centre for industrial manufacturing establishments based on labour-intensive industries which have grown over the last ten years. Currently, there are at least 1,700 establishments employing over 300,000 workers. It is an area of 17,729,746 hectares with a total population of around 1,5 million, residing in 79 *kelurahan* (villages) and is divided into 6 *kecamatan* (sub-district) (Suara Pembaruan, 17, February 1997).

1.5 Organisation of the thesis

Following this brief introduction, chapter 2 examines the research methodology employed, which is a combination of qualitative and quantitative techniques. A number of research techniques were used which reflected the multi-disciplinary nature of the subject. A sample survey of 600 randomly selected respondents (including 30 managers) was conducted in the Tangerang district, West Java. This involved close collaboration with the local University of Tangerang, with both students and lecturers being involved in the survey. Focus group discussions were then undertaken. In addition, observations were made at factories, at training seminars and in strike situations. In order to observe the living habits of the workforce, the researcher lived



in the workers' residential area. Discussions involved the tripartite constituents responsible for industrial relations policy, at national, regional and district level. Participation in the 10th International Industrial Relations Association (IIRA) World Congress in Washington, the 3rd Asian IIRA Regional Congress in Taipei, and the 85th International Labour Conference in Geneva provided an international dimension to the general discussion.

Chapter three presents an overview of industrial relations theory as well as practices prevailing in both developed and developing countries. This chapter starts by outlining Dunlop's framework of industrial relations, and then briefly looks at punctuated equilibrium theory, which explains the relevance of systems theory to different political powers. The institutional, Marxist and pragmatic approaches, as well as the social action approach, are then briefly discussed. Cox et al (1971) argued that the above approaches were not satisfactory, as industrial relations is not merely about job regulation, but should also cover the social factors involved in the production process. In many instances, the governments of ASEAN countries set up a policy which ensures that the industrial relations system supports economic development policies. Although trade unions are seen as a partner in the production process, the approach is repressive to the extent that economic growth, involving the inflow of foreign capital, is the primary objective. The discussion also focuses on the changing nature of industrial relations within these ASEAN countries. Tan and Chew (1996), for instance argue that the Western model of industrial relations is not applicable to Asian countries as the latter are governed by considerations of socio-economic growth, while the Western model focus on the balance of the relationship between the parties concerned. There is no single model of industrial relations in Asian region, as the level of economic development influences the attitude of the tripartite constituents. The

chapter concludes by examining the prevailing conditions in specific ASEAN countries.

Chapter four looks at the practice of industrial relations in Indonesia. The labour movement in the earlier twentieth century is briefly outlined, which was characterised by political struggle embroiled in the fight against colonialism, leading to the creation of many unions. The transformation of industrial relations from the colonial period, after independence and during the period of office of the current government are then discussed. The PIR system approach, based on Dunlop's framework, is outlined. The national industrial relations system is based on a commitment, in 1974, supported by the government and the trade unions, conducive to economic development. All parties intended to implement PIR (*Pancasila* Industrial Relations), which is the manifestation of the social tradition of Indonesian society. Over two decades later, however, the system remains a top-down policy relying on government initiative, thus the workers' and employers' organisations roles are ignored. Implementation reflects a lack of the right to organise and freedom of association, enshrined in ILO Conventions. Only recently has the system become backed by law (September 1997). Although the political emphasis of unionism still exists, most workers desire industrial relations practices to concentrate on a welfare approach which can improve their standard of living. The current problems involving internal and international conflict are presented in some detail. The chapter concludes by looking at the practice of industrial relations within the PIR concept.

Chapter five examines laws and regulations which support the concept of welfare services within the organised sector. An attempt is made to explain why the new international division of labour hampers the social welfare concept within local communities. The initiative of the ILO in pioneering such programmed activities is

explained. In the absence of strong unionism, the government attitude towards labour is supportive of the idea of welfare services. The chapter also explores the approaches to increase workers' social well-being through multi-welfare programmes at the factory level and in the living environment. It also examines the emergence of examples of family welfare programmes in other Asian countries. To understand the basic philosophy of the population policy, the national population programme is explained and the chapter concludes by looking at the social welfare concept in Indonesia.

In chapter six the responses of factory owners and managers are considered. Two different approaches to the social welfare concept are examined. Firstly, management who already implement welfare services at their plant, emphasise the need to conduct cost-benefit analysis before such a programme is formulated. Secondly, management opinions from companies with limited welfare programmes are presented. While the management are not *opposed* to the concept, they urge the government to provide an obligatory regulation which factory owners would then have to comply with. The chapter also considers the difference in attitudes between indigenous and expatriate employers. Indigenous employers are more likely to welcome the idea of a welfare programme, which they regard as a *national service* to alleviate poverty. On the other hand, foreign employers show some reluctance, especially if there is no obvious link to improved productivity. On the whole, there is no *opposition* on the part of management to the concept of a welfare programme at the workplace.

Chapter seven is the first of three which analyse the situation of workers. This chapter discusses the prevailing conditions at the workplace which relate to working conditions, workers' rights to organise, freedom of association and the fact that workers are unable to express their *genuine opinion* to managers. In general, the

chapter results in the suggestion that workers are too weak to form their own organisation.

Chapter eight examines workplace welfare programmes. The discussion begins by outlining worker's opinions regarding the type of welfare programme they wish to obtain and why managers tend to initiate programmes outside the workers' interests. The analysis suggests that workers are really concerned about the welfare programmes, which they feel should be improved. It is observed that minimum wage increments still do not reflect prevailing daily expenditure patterns, despite the necessity to take strike action to obtain minimum wage levels. The lack of opportunity for workers to express their genuine feelings regarding workplace industrial relations, is also highlighted.

Chapter nine discusses the prevailing conditions within the living environment. In the first section, the social setting within the living environment is looked at and it is suggested that *Paguyuban* and/or *Arisan* activities could improve the social relations with management, as such gatherings provide an opportunity to talk about existing welfare services. The next sections emphasises the desperate conditions that prevail in rented accomodation and suggest that co-operatives may be developed to improve the standard of livings. The chapter concludes by outlining the urgent need to improve the living environment, for instance by providing housing facilities, supported by the *PT Jamsostek* (state-owned enterprise, dealing with social security for workers) and other relevant community groups.

The final chapter simply highlights the points that have emerged as a result of the study and offers recommendations for improvement as well as for further study.

CHAPTER TWO

METHODOLOGY

2.1 Introduction

This chapter presents the methodologies used in the current research. The sections discuss both the gathering of secondary data and various techniques used in basic data collection. The first section considers the importance of secondary data and why this was analysed before embarking on the empirical research. The research methodology used in the field involved the use of three techniques: a sample questionnaire survey; focus group discussions carried out in the evenings during the period of the field work and participant observation of conditions prevailing at both factory level and at the worker's residential areas.

Siebert (1973:137) stated that the integration of a variety of research techniques within a single project opens up enormous opportunities for mutual advantage in each of three major phases - design, data collection, and analysis. These mutual benefits are not merely quantitative (although obviously more information can be gathered by a combination of techniques) but qualitative as well. A similar idea is explained by Babbie (1990:34) who stated that different social research situations call for different methods, and the best format is often one that involves the use of several methods focused on the same topic. A combination of method techniques is also supported by Philips (1964:159) who stated that as each data collection method is limited and imperfect, *often a combination of several methods facilitates an investigation*. Again, Lowe (1995:181), in his study of supervisors in the automobile industry claimed that there were at least two reasons that can be put forward to explain the desirability of

using multiple methods. Firstly, it may be anticipated that the using of different methodological approaches would generate additional information and insights about the changing nature of the subject being studied while, secondly, the use of several methods provides a means of cross referencing and checking the data.

Wolf (1993: 121) stated that focus groups might be held during the same time as the survey, with participants drawn either from the survey respondents themselves or from others who have similar or complementary characteristics within a single time-frame. The results of the survey would not influence focus group discussion guidelines, or vice versa. Survey statistics and transcribed texts from focus group discussions could be analysed together or independently according to the research objectives.

In addition to the survey, focus group discussion and observation, further supplementary activities were also used in the context of the present study. Firstly, interviews were held with staff and institutions, both government and private, responsible for industrial relations and workers' welfare in terms of both policy and practice. Secondly, during the period of field research and subsequent analysis, published information on national and regional events relating to industrial relations were obtained from clippings of daily newspapers in Jakarta and other regions. Many such articles were obtained which provide significant data on current industrial relations practices. Third, a comprehensive diary was kept during the entire course of the field work, which covered every event attended. The diary pertains to basic information obtained at plant level and also contains information relating to specific discussions with workers, trade union leaders, industrial leaders, and government officials. The main objective was to compare data obtained from the sample survey and the focus group discussions with observed characteristics.

Regular meetings were undertaken with various authorities in Tangerang district, where the empirical research took place. These included the head and staff of the Ministry of Manpower, leaders and staff of SBSI, FSPSI, APINDO (Indonesian Employer's Association), PT Jamsostek, students and staff of the University of Islam Tangerang, as well as local government officials, religious leaders, police and military officers.

2.2 Secondary data gathering

Prior to embarking on the field work, a study was made of the current development of industrial relations theory and practices in both developed and developing countries. In addition, the prevailing Indonesian industrial relations system was observed in depth. During that period it was noted that the current system, which has evolved since early in the 1970s, is supported by an ideology which involves cultural and social settings. These, in turn, influence the continuous practice of a system which highlights the concept of partnership and brotherhood undertaken to reach a mutual understanding.

While the main focus of the research was the changing situation in Indonesia, it was appreciated that the Indonesian experience needed to be placed in the wider context of what was happening in the Asian region, and even globally. At the outset, discussions were held with senior staff members of the International Institute of Labour Studies (IILS) Geneva, where time was spent, not only in seeking secondary empirical data, but also in following the development of the broader perspectives that had emerged from the original theories established by Dunlop, in the immediate post-war years.

The discussions in Geneva indicated that there would be much to be gained from attending the 1995 World Congress of the IIRA which focused on the current development of industrial relations theory and practice with particular reference to ASEAN member states. Discussions were also held, during the 3rd Asian IIRA Conference, in Taipei in 1996, with many experts on industrial relations from Asian countries. Unfortunately, Indonesia was under-represented at these congresses when compared with the other Pacific rim countries of the Philippines, Singapore and Malaysia, due to the fact that a national industrial relations association does not exist in Indonesia. In fact, the only representatives from Indonesia, were officials of the Ministry of Manpower. A similar exercise was undertaken in June 1997, at the 85th International Labour Conference, in Geneva, where discussions were held with the tripartite delegation of Indonesia and other non-Indonesian delegates concerned with the development of Indonesian industrial relations. The most significant of these was the delegation of the Netherlands Confederation of Trade Unions (NVF) who have a strong *post-colonial* interest in current conditions in Indonesia.

2.3 Collection of data through survey

There are many ways of obtaining data and information for social research. Each method has its own advantages and disadvantages. The most common method is collecting data from a population by conducting a survey based on a random sampling of the total population. In order that the sample will provide a representative model of the population as a whole, it is generally split into sub-groups or strata. In this particular study, the survey data were collected based on the following series of activities.

2.3.1 Research location

Tangerang, a region in West Java was chosen as the area of field research as it is a rapidly expanding area of industrial growth and a focus of the central governmental programme of industrialisation. In addition, Tangerang has two further attractions. Firstly, the private sector is playing a significant role, being responsible for at least twenty per cent of the new investment in labour-intensive industries, and being particularly involved in the expansion of the garment, textiles and footwear sectors. Secondly, it is a region where strikes and industrial problems are on the increase.

Tangerang is located close to the capital city, Jakarta. Factories of every size are to be found in every sector of the district. Its population was approximately 1,5 million in 1995. Out of this number, around 500,000 people commute to and from Jakarta with transportation being available twenty-four hours a day. Tangerang is divided into two local governments; one headed by a Mayor (*Walikota*) and the other by a Head of District (*Bupati*). These two local government districts are divided into eleven sub-districts (*Kecamatan*), which each consist of approximately 150 villages.

The survey took place within three sub-districts; Keroncong, Pasar Kemis and Legok, in which around 300 establishments are located, employing approximately 150,000 workers. Of this total, 30 companies were initially selected from a list available at the local Ministry of Manpower. A sample survey of 600 worker respondents were obtained, out of a total of 720 questionnaires circulated, involving 420 workers employed in textiles and garment factories and 300 in footwear factories.

It was intended to use the following criteria in selecting workers' respondents:

- (i) companies employing more than 300 workers;
- (ii) five factories each from the footwear, textile and garment sectors having a relatively stable industrial relations atmosphere in the last ten years; and,
- (iii) a similar number of factories having had at least one industrial action or strike over the same period.

2.3.2 Strategy for obtaining primary data

Staff and students of the University of Islam Syekh Yusuf, a university based in Tangerang, participated in the research. The rector, Mr. Maulana Yusuf readily agreed to provide facilities to implement the survey and this was done with close collaboration from the Research and Documentation Centre on Human Resource Management of the University (LPPM). An important point to note is that in order to implement the work it was necessary to obtain research permits from the two local Military Commanders (*Dandim*). Without such permission, a survey would be considered *illegal*.

A training workshop was held at which 12 students and four staff members participated. The students were all in their final year of study and had previous experience in conducting surveys. During the workshop, three papers were presented. The first outlined the research proposal, the second considered methods of data collection, while the third considered the draft of the workers' questionnaire. In this way, potential research assistants were made fully aware of all aspects of the project in

terms of concepts as well as the proposed methodology. The outcome was that all the participants were selected as research assistants with the responsibility of not merely distributing questionnaires, but more importantly, in conducting interviews. Each research assistant was expected to interview 60 respondents. They were trained to assist the respondents in filling the questionnaire. The actual time taken to carry out the survey was two months while the researcher was involved for a further two months with interviewing respondents, personnel managers, factory owners, religious leaders and the local authorities, as well as making a preliminary study of the completed schedules. In addition, the time available was used to conduct focus group discussion and observation.

Before interviewing started, three workers in each factory were selected to assist the research assistants in selecting respondents. Selection was determined by:

- (i) workplace, residential and communal relationship; and,
- (ii) recommendations made by union leaders and influential workers.

This was possible, because workers residing in specific areas worked in different factories. In other words, the selection of respondents was based on an informal approach relying on door-to-door communication. This strategy was undertaken in order to avoid duplication of respondents and to make sure that the interviewee actually worked at the selected factory.

Initially, it was the intention to collect data from workers by conducting interviews at the work-place, during the lunch hour, when workers were relatively free. To do this, it was necessary, however, to make a formal request through management. This was not only time consuming to organise but also only a limited

number could be interviewed each day even if interviews were rushed. In addition, it became evident that, in a work-place location, workers were not prepared to tell the whole truth with respect to prevailing conditions because of the influence of more forceful colleagues and management. Conversely, when the interviews were conducted in the workers' residential areas, a more relaxed atmosphere prevailed and there was less chance of interviewees being influenced by others. Based on these considerations, it was decided to conduct the survey outside working hours. Most of the interviews were, therefore, carried out in residential areas, and each lasted for between one to two hours, a time span which could not have been made available within the plant.

The questionnaire for workers was designed to investigate two issues; firstly, to what extent did industrial relations practices influence daily worker/management relations; and secondly how did this practice contribute to workers' welfare. The structure of the worker's questionnaire was as follows :

- (i) demographic situation;
- (ii) employment;
- (iii) income;
- (iv) family Size and responsibility;
- (v) medical and family planning services;
- (vi) sport and recreational facilities;
- (vii) co-operatives;
- (viii) industrial relations; and,
- (ix) union leadership.

Prior to embarking on the field study, the questionnaires were tested among ten workers and one manager in one company, which suggested that, in principal, it was easy to understand and most workers were not opposed to revealing such information, although their appreciation of the relevance of the various sections of the questionnaire varied between different workers.

The questionnaire used for management was similar to that for the workers, apart from a few minor changes which related to management efforts in setting up welfare facilities. All management interviews were conducted by the researcher. The questionnaires for both workers and management are attached as annexes 4 and 5.

2.4 Focus group discussion

Berelson and Steiner (1964:53) defined a group as a small number of people who associate together in face-to-face relations over an extended period of time, who recognise something common to their own group that differentiates it from others, and who have some genuine goals shared by the members. Meanwhile Shaw (1981:8) stated that a small group is *two or more people who are interacting with one another in such a manner that each person influences, and is influenced by others*.

Some advantages which can be obtained from a focus group discussion, relative to other types of research, according to Stewart and Shamdasani (1990:15) are as follows:

- (i) **Focus groups provide data from a group of people much more quickly and at less cost than would be the case if each individual were interviewed separately;**
- (ii) **Focus groups allow the researcher to interact directly with respondents. This provides opportunities for clarification of responses, for follow-up questions, and for the probing of responses. Respondents can qualify responses or give contingent answers to questions. In addition, it is possible for the researcher to observe non-verbal responses such as gestures, smiles, frowns, and so forth, which may carry information that supplements (and, on occasion, even contradicts) the verbal response;**
- (iii) **The open response format of a focus group provides an opportunity to obtain large and rich amounts of data in the respondents' own words. The researcher can obtain deeper levels of meaning, make important connections, and identify subtle nuances in expression and meaning;**

- (iv) **A focus group allows respondents to react to and build upon the responses of other group members. This synergistic effect of the group setting may result in the production of data or ideas that might not have been uncovered in individual interviews;**
- (v) **Focus groups are very flexible. They can be used to examine a wide range of topics with a variety of individuals and in a variety of settings;**
- (vi) **Focus groups may be one of the few research tools available for obtaining data from children or from individuals who are not particularly literate; and,**
- (vii) **The results of a focus group discussion are easy to understand. Researchers and decision makers can readily understand the verbal responses of most respondents. This is not always the case with more sophisticated survey research that employs complex statistical analyses.**

Focus groups are, by definition, an exercise in group dynamics, and the conduct of a group, as well as interpretation of the results obtained - must be understood in the context of group interaction.

The idea of conducting a focus group discussion is based on the above definitions. Communication with small groups may contribute to a wider understanding of how workers organise themselves and contribute to their daily activities at the workplace. In this way, it is assumed that, they tell the truth regarding their basic situation at the factory. It is assumed that the outcome of such group discussions will help in the interpretation of quantifiable data obtained from the completed questionnaires.

The first stage to be considered is the choosing of a moderator. The moderator is very important in a focus group discussion, as he or she is responsible for obtaining optimum output. Scott (1987:35) emphasises that the choice of moderator is critical and acknowledges that :

.....the moderator has the difficult task of dealing with dynamics that constantly evolve during a focus group discussion. He or she must know how to handle the “rational man” syndrome, in which respondents give the “right” or “socially acceptable” answer. A good moderator must handle the problem by constantly checking behaviour against attitudes, challenging and drawing out respondents with opposite views and looking for the emotional component of the responses.

During the focus group meetings undertaken in this study, the researcher acted as the moderator throughout the process. This was considered a necessary step in order to become fully aware of the situation prevailing within the worker’s living environment and how this related to the factory job. It also gave an opportunity for the researcher to interpret the outcomes. No tape recorder was used during the meetings as many participants were understandably anxious that the recording might somehow be obtained by the employers. To record what was going on, the researcher was assisted by one, and sometime, two assistants, who facilitated administrative arrangements and took notes during the sessions. To ensure that the context of the discussion was fully noted, this *team* would discuss all aspects of the session immediately after the meeting ended.

Focus group discussions were conducted throughout the period of the field work. Most were undertaken during the evening, and each was attended by 10 to 15 workers. At least 30 separate sessions were conducted, hence, an aggregate of around 400 workers participated in the discussions.

At the outset of each meeting, the participants were given an opportunity to express and discuss their own priority issues regarding matters relating to both their working environment and industrial relations at their workplace. This was followed by a discussion of the prevailing industrial relations system in Indonesia which enabled participants to relate their particular situation to conditions prevailing at regional and national level. Most participants were prepared, firstly, to listen and, then, to give their

alternative suggestions with respect to future welfare facilities which could be provided by management. The issues involved in current strikes or demonstrations were also considered, why they were happening and what should be the strategy to avoid such problems. This was emphasised in the context of the respective roles of the district office of the Ministry of Manpower as well as the FSPSI and the SBSI. From this, participants were made aware of the possibility for developing a union at their factory and of their own choice.

The objective of the group discussions emphasised awareness creation amongst the participants regarding the importance of developing a sound industrial relations system at the factory level in order to improve workers' welfare. The strategy followed during the meetings was informal in character, dealing with matters that the workers felt were necessary to explain their own problems. In most cases, discussion progressed in a sequential manner and it was only rarely that the moderator had to direct participants to consider specific topics relating to the objectives of the investigation. It was felt that these sessions provided adequate and original information regarding working relations between workers and management. At the same time, the views expressed provided valuable information in order to predict what may well happen at any of the plants in the future. This was possible because the starting point was open discussion directed to create an awareness, on the part of the participants of a relaxed environment where food and soft-drink were provided, so that they just sat down and discussed any matter pertaining to their daily activities at both the workplace and their living environment. For instance, were wages considered sufficient for paying the rent for accommodation, transport, food and to provide a little for savings? They were given the opportunity to express what they felt and how their relations with management were handled. After the initial exchanges, a more focused discussion took place, in the sense that their ideal role and function was examined.

Generally, each meeting lasted for two hours, but some went on for much longer. The precise duration depended very much on the attitude and group dynamics of those participating as well as the major topics to emerge. Most groups met between 7-9 p.m. on any day of the week. Occasionally, meetings were held at the same time as workers were conducting their own regular *Arisan* (rotating savings) and/or *Paguyuban* (informal gathering within specific group of workers) meeting. In most cases, the discussion was seen as part of a regular *Paguyuban* meeting, which handles day to day issues affecting the life of the workers. Such meetings are based on kinship, brotherhood and solidarity among workers from the same locality of origin. Given the fact that participants involved in the focus group were used to participating in such a regular meeting, the outcome was fruitful in that most participants eagerly expressed their genuine feelings. It is important to note that the *Paguyuban* gathering was not only attended by workers but, in most cases, managers who belong to the group also participated in the discussion.

It is not unusual for a variety of incentives to be used to encourage participation and focus group discussion participants are often provided with monetary and other incentives. Such a strategy was employed in this project with each participant at a meeting being given a financial incentive of Rp.5,000 (US\$2.50).

In general, the meetings took place at the home of one of the members of the group. A sum of Rp.30,000 was provided for refreshments. This strategy proved to be effective because the participants felt comfortable in such an environment, hence they felt free to talk openly without fear and to discuss anything they wished. In this way *genuine feeling* regarding the workplace situation was obtained.

From the standpoint of the investigation, an added advantage in conducting such sessions at the home of a participant was that it enabled an appreciation of the home environment to be made and provided an indication of what immediate improvements are required to bring living conditions up to an acceptable level.

The meetings were set up with a face-to-face rather than lecture room layout thus facilitating general participation. To begin, a *brain storming* session took place, providing any clarification requested by individual participants, which could then be based on the experiences of all. Stewart and Shamdasani, (1990:25-7) have stated that brainstorming can be an exciting and creative experience, and this proved to be so at Tangerang. Following such an opening, a brief overview of industrial relations practices and theory was presented. Members of the group were asked not to be critical of any ideas generated by others. Instead, they were encouraged to build on the ideas of others by suggesting embellishments, improvement, and modifications. The emphasis of the exercise is the quality of ideas produced, as the greater the number of ideas generated, the higher the probability that at least some will be good. This initial activity indicated what should and should not be happening at the workplace. For instance, the advantage of setting up a union was explained, emphasising that forming any form of organisation is the basic right of workers, guaranteed by Law No. 18 of 1956, which followed the ratification of ILO Convention No. 98 concerning the rights to organise and bargain collectively.

Consideration was also given to problem solving techniques applied at factory level, emphasising that, within the long term, the best way to solve grievances is to set up a union or develop a mechanism within the more informal approach provided by the established *Arisan* and *Paguyuban* meetings. The general request by participants was to have such meetings devoted to worker/management relations on a regular basis

involving a much larger segment of the workforce. In this context, the participants were encouraged to take responsibility for implementing such an innovative idea.

Stewart and Shamdasani (1990:64) also suggest that some structure topic may be introduced into a question by providing information about those dimensions or aspects on which the respondents should focus. Thus, a respondent may be asked a question about a particular dimension of the discussion. Generally, less-structured types of questions should precede those with more structure, because the latter tend to move the discussion in a particular direction and, consequently, produce a narrowing of the discussion.

There was no prior announcement of the topics to be discussed at any of the sessions. Each discussion was open and the direction taken depended on the workers' consciousness. In all cases, however, informal conversations were undertaken before the meeting commenced. In this way the moderator and a small group of participants looked at certain topics, such as the necessity for workers' co-operatives and their effect on the daily expenditure for workers, and the impact of credit revolving funds. As a result, the possibility of a session coming to a premature end was minimised. In some cases there was extensive interest in some topics which were then discussed at the expense of others. At each meeting, normally no more than three topics were considered, but there was a significant variety of topics covered in aggregate at the thirty meetings held. The following consolidated list indicates this.

- (i) *The importance of worker's co-operatives at the factory level:* participants were encouraged to consider how important co-operatives are for the improvement of their standard of living.

(ii) *The importance of trade unions at the factory level*: emphasis was placed on the fact that trade union negotiation is guaranteed by Law No. 18 of 1956 concerning the rights to organise and bargain collectively for workers;

(iii) *Issues of worker/management relations at the factory level*: what is the attitude of management for the improvement of such relationship? Why do workers not collectively suggest to management how to tackle such issues? And, how, according to laws and regulations, should management treat the workers?.

(iv) *The health of workers and their families*: what are the respective responsibilities of management and government? According to the Joint Decree of the Minister of Manpower and Minister of Health of 1984, a company employing more than 25 employees must provide basic health and family planning clinics for their workers and their dependants. If such facilities are not provided and workers have to find these services for themselves, what possible reimbursement can they claim from management?.

(v) *Awareness of accepting the "small family" concept and becoming family planning acceptors*: this topic was designed specifically for married workers and their partner who were invited to discuss the impact of such an awareness in the context of planning a better future.

(vi) *The provision of sports and recreational activities*: does the company provide adequate sports facilities, if not how should the participants encourage management to provide such facilities? Participants were invited to suggest what could be developed within the factory compound.

(vii) *The importance of setting up a bipartite body for creating consultation with management*: If a consultation centre were to be established, it could provide an opportunity for both workers and management to discuss any subject which could affect their mutual relations.

(viii) *Awareness of participants regarding welfare programmes*: especially related to the minimum wage, strikes that related to a demand for a minimum wage and other general activities which have a possible impact on improving productivity.

(ix) *Minimum wage standards as stipulated by government regulations*: a minimum wage level has been established by the government in order to have a standard of wages for workers throughout the country; Are workers satisfied with this regulation? Does the company readily agree to pay this basic provision?

(x) *The potential for participants to organise themselves through informal institutions such as "Arisan" and "Paguyuban"*: these gatherings are very important informal linkages which may produce a situation where workers can save some of their income for future needs (*Arisan*), or develop close relationships within their own locality (*Paguyuban*). How can these gatherings improve the quality of their living environment? And, how might these contribute to worker/management relations at the workplace?

(xi) *The saving habits of the workers*: what sort of saving habits do most of the respondents have? Is it savings in the bank or at home? What is the purpose of such savings

There is no doubt that focus group discussion proved to be a good method of data gathering in the context of this particular investigation.

2.5 Participant observation

As part of the research technique, participant observation was seen as an opportunity to observe factors at play in a worker's life which may have an impact on his/her performance at the workplace, although such factors could neither be quantified nor formally discussed. In the context of this study, observation was conducted at workers' living environments, at the factories, during training seminars and at strikes or demonstration.

According to Babbie (1990:33) the term *participant observation* refers to a method of data collection in which the researcher becomes a participant in the social events or group under study. It might, for example, be in the form of joining in a protest march as a method of obtaining data about the other participants.

Schwartz and Schwartz (1969:91) define participant observation as a process in which the observer's presence in a social situation is maintained for the purpose of scientific investigation. The observer is in a face-to-face relationship with the observed, and, by participating with them in their natural setting, gathers data. Thus, the observer is part of the context being observed, and both influences and modifies what is happening. The role of the observer may be formal or informal, he or she may spend a great deal or little time in the research situation and may be an integral part of the social structure or largely peripheral to it.

Similarly, Stacey (1969:50-51) stated that participant observation is a method of research in which the observer joins the group he is studying as a member and attempts to be, at one and the same time, one of the observed as well as the observer. Participant observation may be open or concealed. That is, a person may go to work in a factory for research purposes and not reveal why, he/she is there. Or he/she may apply for a job, saying openly that research will be conducted in the workplace, in the factory, while the researcher is working there.

Babbie (1990:33) pointed out that in practice, as a participant observer, a researcher might not reveal him or herself as having a research role; this decision has important methodological and ethical implications. If one openly admits that one is conducting a scientific study of the group, such a presence may very well affect the phenomenon being studied. Awareness of the population being observed, that their actions might be reported in print can affect the action.

In this study, the researcher was aware of the situation, but neither workers or management were aware of the researcher's academic interests. Although the local FSPSI leaders and colleagues at the local Ministry of Manpower were kept informed of the researcher's presence, neither the local SBSI activists nor local military and police officers were informed. On one occasion, at a union meeting, the researcher explained that he was a lecturer at the local university who was undertaking research in a further education context. This was done in order to avoid any unforeseen confrontation.

During the course of the field work, at least fifteen strikes or other forms of industrial action took place. Each provided an opportunity for the researcher to participate, as part of the work-force and, on several occasions, as part of the

management. This enabled a frank discussion to take place regarding the core issue of how workers conduct such strikes and why. While the rank-and-file workers appreciated the involvement of the researcher, the local union leadership did not, arguing that an *outsider* could not appreciate the constraints under which the company was operating. This attitude clearly emphasised the bias towards management on the part of the union leadership.

It was possible, during the field work, to observe training seminars on industrial relations conducted by individual companies, initiated by the local government authorities. Such seminars were usually attended by around 30 people, and lasted for three days. Training seminars for workers are generally limited to larger enterprises. It was possible to observe ten such training seminars during the period of the field work.

During the field work period, the district Ministry of Manpower launched an integrated inspection of night-work facilities, and it was possible for the researcher to attend some of these visits. This programme was intended to observe children and female workers who perform night work. The observation provided on insight into how worker/management relations operate.

The field work was partly undertaken during the fasting period when workers (those who earlier migrated from rural areas) prepare to go to their home town for their annual leave to celebrate Idul Fitri (a Moslem holiday). This event takes place every year, and workers tend to take home their savings in the form of money, clothes, gold and jewellery which indicate their success as factory workers. In the Indonesian tradition, specifically Javanese, parents and siblings both expect those who earn money in a different locality to bring gifts that will improve the welfare of the extended family.

To discover what sort of goods or money were being taken home, observations were undertaken at both the bus station and at factories where management were providing transportation to the home destination.

During the course of the field work, every opportunity to observe working and living conditions was utilised. This was especially true of visits to the workers' residential areas, where many respondents were interviewed. Anything which had relevance to the data collected through the questionnaire was investigated. Discussions took place with respect to welfare, improvements in output, better working conditions and industrial relations in general. Such interviews were limited to those respondents who did not participate in group discussion sessions. Approximately two hundred such respondents were interviewed. These were generally married workers and their families. In most cases the respondent and partner were present and both participated in the discussion. The information obtained from these individual interviews is compared in chapter 9 with that obtained as a result of group discussions.

Further information was derived from interviews with senior representatives responsible for industrial relations and general welfare issues in the country as a whole. These included, the General Chairman of the FSPSI, the General Chairman of the SBSI, the Country Director of the Asian-American Free Labour Institute (AAFLI) Jakarta, the Chairman of the All Indonesian Employers' Association (APINDO), the Director of *PT Jamsostek*, the Head of the Bureau for the Integrated Welfare Programme within the National Family Planning Co-ordinating Board (BKKBN), the Director of Industrial Relations, the Director General of Industrial Relations and Labour Standards of the Ministry of Manpower, and the Minister of Manpower. In short, these are the more important leaders on the national stage responsible for policy and the practice of industrial relations in Indonesia.

2.6 Summary

The methodology of the survey required a combination of techniques: firstly, a questionnaire, administered to a random sample of managers and, approximately, ten per cent of the workforce in the textile, garment and footwear sectors in the three sub-districts of Tangerang; secondly, focus group discussions; and, thirdly, through participant observation. In addition, supplementary information was obtained during and after the field research from daily newspaper clippings, available at the central office of the Ministry of Manpower. These provided current views on the subject. Finally, face-to-face discussions were held with prominent leaders in the area of industrial relations in Indonesia and representatives of international labour organisations.

It is felt that such a combination of methods provides a better appreciation of the subject of industrial relations and a more comprehensive understanding than could be obtained from just a single method, as industrial relations itself involves a multitude of relations.

The following chapter presents an overview of industrial relations theories and practices in economically advanced countries and compares these with those emerging in the developing economies of Asian countries.

CHAPTER THREE

AN OVERVIEW OF INDUSTRIAL RELATIONS THEORY AND PRACTICE

3.1 Introduction

This chapter presents an overview of industrial relations theory and practice in developed and developing countries. Emphasis is given to the existing models in ASEAN countries. This is done in order to discover whether such a framework is relevant to the Indonesian context. The chapter begins by outlining Dunlop's industrial relations framework, which emphasises the systems approach, and then the *punctuated equilibrium* theory in industrial relations is explained. Other models such as the unitary approach, conflict theory, the social action approach and strategic choice are also briefly outlined. Lansbury (1996) argues that there is no single model of industrial relations in Asia, although the major characteristics are basically authoritative, such as those of Singapore, South Korea and Japan.

The fundamental differences are between industrial relations theories, which have emerged in the industrialised countries, and practices prevailing in the developing world. The industrial relations practices in Asian countries, where rapid economic growth is a major objective, seem to suggest the prime function of the union is ignored. Unions have to fit into the framework of the overriding national goal of achieving economic growth, thus potential conflict is suppressed, although in some cases it does become obvious.

3.2 Industrial relations in economically advanced countries

The emergence of industrial relations theory in advanced countries is presented in this section while subsequent sections examine specific approaches in developing countries in general and those of the ASEAN in particular.

According to Dunlop (1958, revised in 1993) industrial relations is a sub-system of the overall socio-economic system evolving in a given context. The context could be a state, environment or workplace, although approaches towards industrial relations differ. For Dunlop, the accepted approach was to treat industrial relations as a part of behavioural sciences. This approach is still accepted in some circles, although it may have been more relevant in the nineteen fifties, when industrial relations became an independent discipline within the social sciences, but does not hold true today. It now seems to be more appropriate to integrate an economic, social, industrial and legal approach with a behavioural conception. The two conceptions, the economic and the legal, have considerable importance with regard to the manner in which parties conduct themselves in their industrial relations. The economic aspect has importance in that various economic data, such as the economic situation of a country, its balance of payments, the level of inflation prevailing therein, its character as an industrialised or agricultural country, of necessity influence industrial relations at the collective level, with respect to national or plant agreements (Kuruvilla and Erickson, 1996).

Needless to say, the economic situation and competitive ability of an individual enterprise exert an influence when dealing with a collective enterprise agreement or industrial relations at the individual level. Nor should one overlook the legal aspect, comprising the rights accorded to the individual under labour legislation, as well the status conferred by the law on both employee and employer organisations under collective agreements and under extension orders, delimiting the scope of negotiation at each of the collective levels, the individual level, and the power of worker's organisations to take *organisational measures* to achieve their demands (Golberg, 1996: 89).

The above statements confirm that there are many approaches in determining industrial relations as a field of theory. Some researchers emphasise from the legal aspect to the economic and socio-political point of view, others see it as part of historical or even anthropological perspectives. Meanwhile, Thomason (1984:43) postulated that industrial relations behaviour will be determined or structured in accordance with the rules made to determine that behaviour. Consequently, when the observation is made that large numbers of people behave in a patterned or uniform way, this, it is thought, can be explained in terms of the system *working* in the manner intended: people behave consistently because they obey the rules which the industrial relations system creates.

For Meltz (1989:3), Dunlop's approach had become *perhaps the most influential book in the field of industrial relations*..... He stated that there is a close relationship between the prevailing socio-political situation within a country and the experience of the trade union leadership. This implies that the activities of the trade

union are influenced by the social and political environment prevailing in the country. This continues to be one of the major points of emphasis in the 1993 edition of *Industrial Relations Systems*, although the latter is a much expanded version of the original publication. In his revised edition, Dunlop (1993) mentioned that the scope of an industrial relations system within a country is directly related to the problems of wage determination. Hence, the *system* concept is conceived in direct relation to the problem of neo-classical economics. Dunlop defines the discipline of industrial relations in the following way, *industrial societies necessarily create industrial relations*. This, he defines as the complexity of interrelations among managers, workers and agencies of government. Jackson (1992:3) argued that the importance of Dunlop's work is probably his theoretical framework. Essentially, this theoretical framework viewed the industrial relations system as a sub-system of the wider society or the total social system. Thus, the wider society is seen as providing certain external influences and constraints, but not as completely dominating industrial relations. The industrial relations system, therefore, had a similar status to, for example, the economic and political systems with which it overlaps. Thus,*the central task of a theory of industrial relations is to explain why particular rules are established in particular industrial relations systems and how and why they change in response to changes affecting this system* (Jackson, 1992:4). In this respect, Adams (1997) argued that this prescription *will not satisfy*, because it is a too simple definition and is, therefore an inadequate designation of what industrial relations do.

Other writers (Blyton and Turnbull, 1994, Lansbury, 1996) argued that using terms such as *employment relations* rather than industrial relations reflects part of the redefinition of the boundaries of the subject to include all employment relationships (rather than ones only involving unionised, male, manual workers in manufacturing but

also the underlying assumptions that now inform theoretical perspectives on the subject). Blyton and Turnbull (1994) further stated that :

.... it is possible to discern a growing tendency to focus and define the distinctive characteristics of the employment relationship; to locate that relationship within the broader nature of economic activity; to analyse the structural bases of conflict and accommodation between employer and employee; to consider the influence of the wider society; and to develop an interdisciplinary approach using concepts and ideas derived from sociology, economics, psychology, history and political science (p. 28).

The findings of an ILO study involving a comparative analysis of industrial relations systems in developing countries (Essenberg, 1985:53), confirm Dunlop's theory that the industrial relations system is a component of the total social system and that changes in the overall system lead to changes in the ideology and characteristics of the industrial relations system. Frenkel (1993) argued, however, that state intervention in trade unionism is obvious in many of the developing Asian countries, and that there are variations of approaches in industrial relations practices.

In the context of developing countries, like Indonesia it is probable that the socio-cultural values are well-accepted. As this study shows, the understanding of the system is taken from the state ideology, *Pancasila*, with which concept most respondents agreed. The distinctive value is the acceptance of deliberation to reach consensus, which emphasises the spirit of *brotherhood*. The approach is, however top-down, relying too much on government initiative. The tripartite mechanism is still dominated by the government representative in the decision making-process, for instance on the minimum wage policy.

To explore the current practice of industrial relations based on the Pancasila principles, this study adopts the *punctuated equilibrium* theory to explore social

system change, particularly in industrial relations as done by Kuruvilla and Erickson (1996) in their study on transformation of the industrial relations system in Asia and the West. They present some evidence on industrial relations change during the latter half of the twentieth century in a number of developed and developing countries, and discuss the extent to which experience supports the use of the punctuated equilibrium theory in the context of industrial relations transformation.

The basic notion behind the punctuated equilibrium theory, in its application to social development, is that a social system undergoes periods of apparent stability with only incremental change punctuated by periods of rapid change when the basic assumptions and principles underlying that system come under question. Radical change is seen as being due to changes in the socio-political system of the country.

In their seminal work on organisational ecology, Hannan and Freeman (1989:38) describe the generic form of punctuated equilibrium view as follows: *.....most of evolutionary history shows little change except for brief periods of punctuation in which there is rapid speculation and great increases in diversity ... the punctuations are due to combinations of environmental circumstances that open new niches into which new forms ... can radiate*. Gersick (1991, cited in Kuruvilla and Erickson, 1996:125), describes the generic form of the theory as *.....an alternation between long periods when stable infrastructures permit only incremental adaptations, and brief periods of revolutionary upheaval*.

The punctuated equilibrium theory bears a close relationship to the French regulation framework, in which Boyer (1990, cited in Kuruvilla and Erickson, 1996) postulated, in essence, that once regulatory mechanisms, consistent with a given environment appear and develop, they both stabilise and thrive on the stability of that

environment. This situation pertains until the regulatory system loses its viability and massive experimentation eventually leads to the development of a new system, both internally consistent and viable in the new environment. In this realm of macro social system change, the theory has clear antecedents within conventional Marxism; the idea of a system intensifying its contradictions and following its own inherent logic until the system collapses under the might of that logic.

Piore and Sabel (1984) explained that some variants of the theory imply that, during periods of crisis, the basic parameters of the system are *up for grabs*, highly contingent and unpredictable. The system could emerge from its period of revolutionary change to go in many possible and radically different directions, depending on such things as history, politics, natural endowments, and the force of certain personalities.

Kuruvilla and Erickson (1996) further explain that once the socio-economic conditions (such as intense competition arising out of both globalisation and changing world markets) have evolved, so as to no longer be compatible with the operation of this (system and, moreover, the system begins to show internal systematic *wear and tear*), the system's viability is once again called into question.

To sum up, although there are criticisms of the system's model, in terms of developing countries, like Indonesia, the value of system's theory may still apply to the industrial relations process, although in some cases, the government plays very prominent role, ignoring the function of both workers' and employers' organisations. Nevertheless, Essenberg's (1985) study confirms Dunlop's systems theory in that industrial relations is part of the wider social system of the community.

In the developed countries, the approaches to industrial relations theory also rely on other tenets of social studies, for instance unitary theory. The essence of the unitary approach to industrial relations, as held by Halford Reddish and others (cited in Farnham and Pimlott, 1993) is that every work organisation is an integrated and harmonious whole existing for a common purpose. The approach assumes that each worker identifies unreservedly with the aims of the enterprise and with its methods of operating. There is, therefore, no conflict of interest between those supplying financial capital to the enterprise and their managerial representatives, and those contributing their labour and job skills. By definition, the owners of capital and labour are joint partners to the common aims of efficient production, high profits and good pay in which everyone in the organisation has a stake. It follows that there can not be *two sides* in industry, indeed managers and workers alike are merely parts of the same *team*. The team, however, is expected to be provided with strong leadership from the top to keep it working and to ensure commitment to the tasks to be done and to its managerial officer holders (Farnham and Pimlott, 1993:4).

The above characteristic, on the part of management, requires at the minimum, a paternalistic approach towards subordinate employees or at the extreme, a more authoritarian one, together with a suitable communication structure to keep employees informed of managerial decisions. Conversely, employees are expected to remain loyal to the organisation and to management indifference to the common problems facing managers and subordinates alike. Thus, the unitary theory of industrial relations emerges from a belief that work enterprises, whether privately or publicly owned, are very much like a professional football team,*team spirit and undivided management authority co-exist to the benefit of all* (Farnham and Pimlott, 1994 :5) Work organisations, in short, are viewed as unitary in their structure and unitary in their purposes, and as having a single source of authority and a set of participants

motivated by common goals. Consequently, industrial relations is assumed to be based on mutual co-operation and harmony of interest between management and workers within enterprises.

One implication of unitarism is that factionalism within the enterprise, or in a part of it, is seen as a pathological social condition. Subordinate employees are not expected to challenge managerial decisions or the right to manage, while trade unionism is viewed as an illegitimate intrusion into the unified and co-operative structure of the workplace. In the developing countries of Asia, this type of model emerges as a consequence of the governments of those countries, relying on export oriented industry. Meanwhile, in Indonesia, the partnership approach, epitomised in *Pancasila* industrial relations (PIR) suggests that, if supported by informal activities, such as a welfare programme, this can work well.

In summary, the traditional unitary theory, in its purest form, stresses the harmonious nature of work enterprises and of industrial relations within them. To what extent it represents consistency and compatible viewpoints amongst different groups, within particular organisations, depends upon two main factors: firstly, the social structure of an organisation, and secondly, whether the unitary values system is accepted by subordinate personnel within it. The latter is perhaps the linchpin around which a unitary theory of industrial relations is accepted or rejected.

In contrast to unitary theory, conflict theory is based on two interrelated views of society and of industrial relations between employers and workers. The first view, is that in Britain and other Western industrialised societies, class bias still exists. They are essentially post-capitalist in the sense that political and industrial conflict are

institutionally separated within them and industrial conflict has become less violent because its existence has been accepted and its manifestations have been socially regulated. The second view is that work organisations are microcosms of society. Since society comprises a variety of individuals and of social groups, each having their own social values and each pursuing their own interests and objectives, it is argued that those controlling and managing work situations have to accommodate the differing values and competing interests within them (Farnham and Pimlott, 1993:6).

A major element in post-capitalist theories of contemporary society and industrial relations is the proposition that the nature of class conflict has substantially changed from that suggested by Marx where class conflict is perceived as being synonymous with industrial and political conflict. Marx argued that the owners of the means of production are identical with the ruling class in industry and in politics, while wage-earners are relatively powerless in both industrial relations and politics. Capitalists are the elite and the proletariat are the socially weak. The starting point for the Marxist analysis of society are the assumptions that class conflict is the catalytic source of change, and conflicts which arise out of differences in economic and social power between competing social groups are rooted in the structure and institutions of society itself. Marx wrote comparatively little about trade unionism and collective bargaining, basically because neither was established at that time. Thus, Marxist theory, as it relates to industrial relations, derives indirectly from subsequent Marxist scholars rather than directly from the works of Karl Marx himself.

To sum up, conflict theory in industrial relations states that institutionalisation of conflict in industry not only has decreased in intensity but also has changed its form. Among the changes which seem to be of particular importance in this respect are: the

organisation of conflicting interest groups; the establishment of negotiating bodies in which these groups meet; the institutions of mediation and arbitration; the formal representations of labour within the individual enterprise; and, tendencies towards the institutionalisation of workers' participation in industrial relations. In the Indonesian context, communism was banned in the mid 1960s. In addition, the government has strictly limited the physical movement of those regarded as *leftist*.

The social action approach contrasts with the systems' approach, which suggests that behaviour in an industrial relations system can be explained in terms of structural features. Social action theory in industrial relations is associated with the sociological studies of Max Weber. According to Weber, as quoted by Jackson (1992:6) action is social*by virtue of the subjective meaning attached to it by the acting individual it takes account of the behaviour of others and is thereby oriented in its course*. He insists that, in order for social actions to be explained, they must be interpreted in terms of their subjectively intended meanings, not their objectively valid ones. The social action approach can be clearly contrasted with the systems approach. While the systems' approach*tends to regard behaviour as a reflection of the characteristics of a social system containing a series of impersonal processes which are external to the actors and constrain them* (Jackson: 1992:7), the action approach stresses the way in which the individual influences the social structure and *makes society*. It can be viewed as the opposite side of the coin to the systems approach, and it clearly deals with one of the major criticisms of the system's approach, which is, that it does not pay sufficient attention to behavioural influences (Jackson, 1992:9). A number of studies have claimed that they have used a social action approach for their analysis (Goldthorpe, cited in Jackson 1992). The trends in modern industrial life which they pointed out were centred on changes in family life and structure. For example, the growing importance of the conjugal family might

strengthen the tendency for workers to seek expressive and effective satisfaction through family relationships rather than through the workplace, with the result that work increasingly may be seen as a way of providing the means to obtain satisfaction elsewhere.

In the meantime, Kochan et al (1984, cited in Bamber and Lansbury, 1993) offer another contribution to industrial relations theory. Although they focus on the changing patterns of US industrial relations, they take an inter-disciplinary approach and their work has a comparative application. They seek to add a dynamic component, which they call *strategic choice*, to the Dunlop analysis. They propose a framework that differentiates between three levels of decision-making (macro analysis, industrial relations system and the workplace level) and three parties (employers, unions and the government) and which identifies a relatively independent effect of the levels of employment relations. The concept of strategic choice is not new and has previously been used in economics and organisational behaviour, but there are considerable differences in the way this concept is considered in terms of industrial relations (Thurley and Wood 1982, cited in Bamber and Lansbury, 1993). Other writers have criticised the use of this concept. Hyman (1987, cited in Bamber and Lansbury, 1993), for instance, is explicitly concerned with how Marxist analysis can relate to strategic choices. He raises some significant questions, such as, if capitalist production is subject to the determinism of economic forces or laws external to the individual enterprise, what latitude is there for strategic choice?. In other words, are choices in industrial relations made by individual managers, if so, how credible is it to describe the parties as acting *strategically* in industrial relations?

A straightforward treatment of strategic choice must emphasise the inevitable contradiction in capitalism, so Hyman (1987, cited Bamber and Lansbury, 1993) redefines management strategy as *the pragmatic choice among alternatives, none of which can prove satisfactory*. After such criticism, and in order to foster a substantial international project on comparative industrial relations, Kochan et al. (1992, cited in Bamber and Lansbury, 1993) redefined the strategic choice framework into four propositions. Firstly, it is increasingly appropriate to adopt a broader approach to industrial relations, drawing from human resources as well as from other and narrower approaches. Secondly, the individual components of an industrial relations system cannot be understood in isolation, therefore, they interact with each other. Thirdly, distinct competitive strategies tend to be associated with different types of employment practices. Finally, corporate governance arrangements and public policies are vital determinants of industrial relations in practical terms.



Adams (1997:45) argued that the definition of industrial relations which appears to be the most satisfactory in terms of capturing the essence of the phenomena of interest is the one proposed by Cox et al (1970:1). According to them *industrial relations is defined as the social relations of production*. They further stated that this definition is broad enough to include employment relations, job regulation and all of the definition and foci suggested to date.

In summary, industrial relations theory in developed countries emphasises the importance of understanding the socio-economic and political background of the countries involved. A punctuated equilibrium framework can be adopted, however, to study the broader industrial relations concepts which exist in the advanced industrialising countries as well as in developing countries.

3.3 Industrial relations in developing countries

According to an ILO report on the practice of industrial relations in less developed countries, most of the industrial relations models developed in advanced countries seem to be less relevant in the developing countries where large agricultural populations, extreme poverty and marginal labour force participation dominate (Hansenne, 1987). Nevertheless, the ILO has identified institutions, such as trade unions (in a marginal form), employers' organisations and collective bargaining in most of the developing countries. A leading ILO expert in industrial relations (Fashoyin, 1989) stated that a review of industrial relations research in developing countries is made very difficult by defining what falls within the boundaries of the field to be studied. In many developing countries, industrial relations, as known in Western democracies, do not really exist, either on account of a weak or poor industrial base or because of the reluctance of the ruling elite to allow the existence of a strong and independent union movement. It is the state that is the dominant actor in most of these countries, in that it generally takes prime responsibility for leading development efforts. Trade unions and collective bargaining are tolerated, but closely controlled. Unlike in the West, where the primary focus of research has been on worker-management relations, the dominant role of the state in developing countries, has led to a focus on union-state relations.

Observations made at the 85th International Labour Conference (June 1997) revealed that delegations from the economically advanced countries not only tended to dominate the conference, but also kept pressure on the member states of the developing world, who have ratified ILO Convention No. 87 on the freedom of

association and Convention No. 98 on rights to organise and bargain collectively. The prime criticism was that many of the developing countries do not comply with the statutory regulation, especially in dealing with workers' rights to organise, either through the means of unionism or other forms of organisation. They condemn countries, such as Nigeria, Indonesia, Swaziland, Sudan and others. This study indicates, however, that a formal organisation, such as a union, sometimes does not *fit* with the local conditions, as unionisation is not part of a genuine organisation structure that emerges in most developing countries. It is argued that, although ILO studies (Essenberg, 1985, Hansenne, 1987, Fashoyin, 1989) have stated that local conditions should be considered in applying statutory regulations, the Committee of Experts on the Standard Application Convention ignore this. This is probably due to the tendentious situation where pressures from workers' and employers' groups ensures that conference becomes an *international court* in the area of human rights and, more concisely, workers' rights. Unfortunately, many of the developing countries who obtained *independence* after the second world war tend to ratify as many conventions as possible on becoming members of ILO, regardless of their relevance to the domestic situation. For instance, India has ratified 40 conventions in the hope that the practice of industrial relations will comply with international labour standards. On the other hand, Indonesia has only ratified nine conventions, but most of them may be classified as the core ILO conventions, such as those on freedom of association and the right to organise and bargain collectively. Once a country has ratified a convention, it is bound to comply with that convention, but if a country does not sign a convention it is *not* bound to implement the specific practices. A signatory country is, therefore, subject to detailed scrutiny with respect to its implementation of convention practices while a non-signatory administration is not. Ironically, complaints against signatory states can be brought by non-signatory states, hence the United States Government, which has only ratified two core ILO Conventions can bring a complaint against Turkey or Costa

Rica or Indonesia which have signed, but also violate, Convention 87. Even the United States, however, cannot complain about similar practices in Afghanistan or Saudi Arabia, countries which are not in violation of the convention for the simple reason that these countries have not signed it!!

Essenberg (1985) pointed out that the question of the relationship between trade unions and politics in developing countries has been a subject of interest over the past decades. Certain authors (Galenson, 1964, Millen, 1964, Kassalow, 1978, cited in Essenberg, 1985) have tried to establish categories into which trade unions would fit. Galenson (1959) identified trade unions as administrative arms of the state and others as representing sectional interests. The governments in developing countries have to make a choice between these two conceptions of labour market organisations. Meanwhile, Millen (1964) classified trade unions into a spectrum of categories ranging from complete independence from government and with relative freedom of action to more or less complete identification of the union movement with the government or the ruling party. Kassalow (1978) suggested that there are many intermediate forms between Galenson's clear cut division of trade unionism. It is perhaps inevitable that in many slower developing countries, where the state is usually central to the economic development process, the role and functions of unions should be defined and redefined according to new needs and roles (Essenberg 1985:2). This has also come to mean that in many of these countries some traditional trade union freedoms have been infringed upon and the collective bargaining process has been restricted.

Essenberg (1985) further pointed out that political connections between ruling parties or governments and trade unions can be observed in a number of developing countries, but the political role of the unions is highly circumscribed, especially in Asia

and most African countries. He argues that a great number of developing countries have started to create an industrial relations system that is more adjustable to their own philosophy and its economic situation, moving away from the systems inherited from the colonial period. While it is true that colonial policy and institutions have influenced the shape of emerging labour organisations, and the rules regulating social relations in production, the socio-economic environment of the country has been the ultimate determinant of the new system. The situation is, however, rather different in most Asian countries, where governments, political parties, employers' organisations and trade unions are searching for a kind of mutual relationship and co-operation within an industrial relations system that is in line both with the economic development needs and the social and cultural heritage of the countries concerned.

The relationship between labour and political movements originated in most developing countries when the emerging industrial working class started to organise itself into trade unions and, often at the same time, became involved in the activities of the independence movement. This movement often saw the trade unions and strikes as effective weapons in their struggle for national independence. However close the co-operation between the trade union movement and the national independence movement, there remain differences in objectives between labour and the state. They certainly differ in their perception of the possible role of labour in the development process. The labour movement is convinced that it has a vital role to play in economic development. Through such a role, it can achieve its basic objective, that is to advance the social and economic interests of its members (Essenberg, 1985:6).

Essenberg (1985) also found that many governments are convinced that the trade union movement defends the interests of a small, rather privileged class of

workers in the formal sector. In his view, it is the objective of governments to look after the broader national interest, which includes unorganised workers in the urban informal sector and rural populations. Governments in developing countries do, however, often adopt policies fostering industrial economic development, thereby neglecting the traditional rural sector. The implementation of these policies have led to the creation of an industrial working class, mainly coming from rural areas. The policies were, in fact, created to change a static rural society into one based on industry and also geared towards the changing character of socio-political tensions. Some of these tensions are connected with the development of an industrial labour force, although it remains difficult in developing countries to define clearly the concept of working class. Faced with these uncertainties, governments have to establish a working relationship with the trade union movement; one which allows both the expression of the interests of workers, even when these differ from the views of the government and other groups, and the creation of mechanisms which enable agreed policies to be developed.

But one of the most important problems to be solved in establishing such relationships is the concept of the *national interest*. Many governments, however, prefer a situation in which they have a direct control over the activities and demands of the labour movement, given that trade union leaders exert a considerable amount of influence. This influence derives from the fact that trade unions are among the few institutions in a developing country that have an organised structure, leadership, international relations and a more or less clear idea of their own objectives. In the case of Indonesia, the trade union movement, although it was political in character during its early development, currently is repressed by the government, which argues that the main objective of a union is to support national economic development and nothing else.

Ubeku (1983:133) has argued that in developing countries, industrial relations systems are being shaped by their contemporary economic and political circumstances more than by the experience and influence of developed countries. Economic development always entails a complex set of policies and action programmes which emanate in greater part from the political machinery of the state. To participate in economic development, the trade unions cannot isolate themselves and act in a social vacuum. They are expected to participate actively in the country's development efforts and ensure that plans and programmes which serve the interest of the members are introduced. Any institution, if it is to be effective, should be able to cope with additional or different responsibilities. Trade unions are no exception to this rule. On the contrary, they have been confronted in this respect and are being called upon to reconsider their role in a rapidly changing society and to define their position in relation to other institutions which at present are helping to shape the future destiny of the country.

Essenberg (1985:130) points out that the reality in developing countries is that unions are still engaged in other forms of political activity. Especially in countries where attention is no longer focused on the fight against neo-colonial forces, they are engaged in seeking a voice in national economic (and sometime political) decision-making. In other countries, where they are not so free, their political activity is centred on achieving independence for themselves. In dealing with these complex issues, the research of recent years gives considerable attention to the relationship between the ruling elite and trade unions. Naturally, the independence struggle drew the two sides together and a complete break was and still is, unimaginable. But the extent of the collaboration varies from country to country.

In most developing countries, the state takes the leading role in both political and economic spheres, but there is the real (or imagined) threat which unions pose to the ruling elite. In countries where there is political instability, unions are often seen as an alternative to the ruling party. In response, several countries have developed strategies to deal with this presumed threat. Such a situation exists in Indonesia too, where, in the early 1990s, human rights activists established trade unions without the direct involvement of workers. As a result, they became the political rivals of the government which, in truth, was their ultimate objective.

The assumption behind the concern of governments in developing countries to be close to the unions is for the promotion of economic growth and development in an atmosphere of relative industrial peace, with the unions playing an important role. This framework raised considerable academic debate in the 1950s and 1960s, and although not much has been written in the 1970s and 1980s, the debate has not ended nor has the issue in dispute become any less important in the 1990s. The debate centres on the consumptionist and productionist thesis. One view sees the unions as consumptionist institutions concerned with the sectoral interests of their members. The other sees unions as vehicles for stimulating productivity, within a productionist framework, in which sectoral interests are subordinated (perhaps temporarily) to national interests of increased productivity and moderation in wage demands (Fashoyin 1989:135).

Fashoyin (1992) further argued that both views are misleading because they construct a narrow picture of what unions are, what they do and how they do it. No union in a developing country can entirely pursue the self-interest of its members and remain oblivious to its environment and the socio-economic structure of production.

Yet, this latter argument, i.e. the productionist thesis, has become the kind used by the ruling elite to interfere with industrial relations institutions. Gladstone (1980, cited in Fashoyin 1992) and Essenberg (1985) have documented various forms of government intervention in unionism. These range from instituting a single government dominated trade union, as is the case in several developing countries, including Indonesia, to ally them to the ruling political party.

To sum up, industrial relations practice in developing countries varies from country to country, depending on socio-political condition, (including the multiplicity of political parties), its stage of development and the prevailing economic situation.

3.4 Emerging models in Asian Countries

Hyo Soo Lee (1996:303-4) has identified the different characteristics between Asian and Western models of industrial relations. He points out that most Western-style industrial relations models grew out of the work of institutional economists, who were reacting to the view of labour as a commodity similar to other factors of production. A considerable emphasis was, therefore, placed on the number entering the labour market. Concern was, as a result, primarily with the quantity of labour (i.e., hours of work, number of workers employed, and job security) and the price of labour (wage rates, annual income, and labour's share of profit). Such Western models are not well received in Asia because they are not seen to take adequate account of the role of the workers' mind, attitude (spirit) or creative capacities. Because of the heritage of Confucianism, Buddhism, and Islam, Asian concepts place greater emphasis on the attitudes of workers. Asians have difficulty with Western models which lack a concept of industrial relations which is compatible with the Asian metaphor for

describing the role of the enterprise in society. Asian society is based on a concept of community which stresses harmonious relationships among and between human beings and between human beings and nature, whereas Western society is based on a concept of legal contract or common law which is based on individualism and rationalism.

The World Bank's *Report on World Development* in 1995 (World Bank, 1996), stated that workers in an integrated world agree with the need for an alternative strategy for linking labour and economic development policies. The report provides a useful starting point for the development of a new model that might serve the goal of both increased market efficiency and workers' welfare in ways that are consistent with Asian values. The report suggests that the way to link labour and development policies is to:

- (i) **identify and support those fundamental labour standards that, if violated, would be inconsistent with basic moral values (e.g., discrimination, forced labour, hazardous work, etc.).**
- (ii) **recognise and support free trade unions that promote democracy and the voice of the worker but do not become an elite that represents only a small fraction of the population.**
- (iii) **encourage development of workplace institutions that can allow workers and their representatives to monitor and enforce labour standards consistent with their particular needs, resources and stages of development.**
- (iv) **encourage investment in education, training and programmes that support and encourage transition from low to high productivity; and,**
- (v) **support open markets, free trade and mobility of capital and labour resources.**

Lansbury (1996:9) emphasises that countries in the Asian region have not adopted a uniform approach to industrial relations or other plant-related policies and practices. Yet economies in the region have shared some similar characteristics which include; a high degree of investment in human capital, a social-welfare oriented state, relatively weak (and historically repressed) industrial relations institutions, a high

degree of economic co-ordination by government and the lack of an independent trade union movement. In many cases, however, increased economic development is facilitating greater democratisation and a higher degree of labour market institutionalisation, as evidenced by the emergence of minimum wage laws, health and safety regulations and independent dispute-settling mechanisms. Meanwhile trade unions are gaining a greater level of autonomy and influence where they were hitherto illegal.

Lansbury (1996) further went on to state that the evidence suggests a link between the process of economic growth and policies in the area of human resources and industrial relations. A less developed country begins the process of industrialisation by creating some initial conditions conducive to investment. In industrial relations terms, this may translate to low wages, inadequate working conditions and possibly low unionisation. This situation may attract initial investment by firms wishing to take advantage of such labour market conditions. With increased investment, however, the initial labour market conditions inevitably change and there are pressures for higher wages and possibly unionisation. These secondary conditions of the labour market follow the initial investment surge. This reduces the advantage which attracted the new investment in the first place, so other inducements are needed in order to retain attraction to external investors. This creates a critical juncture in the development process and places pressure on any existing industrial relations system.

Caspersz (1996:45) argued that there are two aspects to be considered with respect to the attraction of Asian countries to foreign capital in the post 1960 period. Firstly, it was primarily because of the availability of cheap labour that capital was attracted. But in order to maintain the *cheap labour haven* attraction, a subsequent refinement has had to take place. Edgren (1982) describes the specific attraction of

developing the *export processing zone* (EPZ). This does not only lie in the availability of cheap labour, but also the ability of host countries to justify certain labour management practices on the basis that the EPZ is separate from the mainstream of the economy and clearly has a *haven* characteristic. This can be done, for instance, by banning union formation as an inducement to companies to locate in the EPZ which is not uncommon in a number of countries in Southeast Asia.

The predominant role of trade unions in the rapidly changing economies of Asia is uncertain. Tan and Chew (1996) distinguish three ideological choices: welfarist, socialist and realist. Based on the Singapore experience, they argue that the optimum role for unions to assume in the coming decades is one in which they are autonomous yet work in close partnership with the state in order to maximise the welfare not only of their own members but of society in general. Trade unions are, however, reluctant to support employer policies which threaten worker welfare, job security and built-in wage increases, unless (perhaps) the survival of the employing organisations involved is at stake. They further argue that if a trade union sees its role as fighting for job and social security as well as higher wages and benefits, even if it involves significant cost to the employer, then it can be characterised as adopting a welfarist position. A welfarist position is not, however, always viable, though it certainly appears to be so in periods of sustained economic growth. In the Singapore case, the institutionalisation of industrial conflict as practised there means that trade unions cannot espouse an extreme welfarist position; they have to adopt a predominantly realist position, since the industrial relations system is geared towards balancing and reconciling the interest of capital, labour, and the state.

Kuruvilla and Erickson (1996) pointed out that, with the exception of Singapore, trade unions in Southeast Asia do not appear to have the institutional or

political means to have an impact at national level. Furthermore, the almost universal trend towards decentralisation further reduces the influence of an already weak union at the enterprise level. The best prospect is that as enterprises develop, and adopt higher cost and skill-based modes of production, there will be increased opportunities for worker participation in workplace decision-making, resulting in more democratic and independent representation for the workforce, which has been the case in many advanced industrialised market economies. This would, however, require legislative provisions to provide labour with a more significant choice at both the enterprise and national levels. Lansbury (1996:13) pointed out that while no *Asian* model of industrial relations has yet emerged, it would appear that in the more advanced industrialising countries, where economic growth has been sustained, governments are seeking to accommodate secondary changes in labour markets rather than trying to maintain the initial advantage of low wages and low unionisation.

This view is supported by Leipziger and Vinod (1993), and the World Bank (1993) (cited in Kuruvilla and Erickson, 1996) which observe that, although each country in Southeast Asia has followed its own path to development, three factors have been present in each case of accelerated growth; an orientation to markets outside its borders, macro-economic stability and investment in human resources. Hence, while convergence can be seen in both economic terms and the goals of industrial relations policies in many of the newly industrialising countries of Asia, this is being achieved through divergent methods.

Lansbury (1996) concluded that, as Asia is one of the fastest growing economic regions of the world, it will be to the fore in debates about the shape of any future models of industrial relations. State suppression will give way, under the pressure of economic development, although some governments may be unwilling to

allow industrial relations systems to achieve full autonomy. Welfarist approaches are more likely to be the choice if a government wants to expand its industrial sector.

3.5 Approaches in ASEAN

Southeast Asia is experiencing rapid economic growth, although growth rates vary from country to country. In response to this rapid growth, a project, to strengthen industrial relations in the ASEAN countries, has been developed by the ILO (Nakatani, 1985). This suggests that there are commonalities in industrial relations practice in the region, but most are authoritative and based on a top-down policy.

Based on a small-scale survey of enterprise-level industrial relations in ASEAN countries, Islam (1989) reached six specific conclusions:

- (i) industrial relations was management-dominated in the context of weak unions;**
- (ii) consultation was preferred to systematic anti-unionism;**
- (iii) industrial relations was not a significant constraint on economic restructuring;**
- (iv) employment levels rather than wages were adjusted to cope with market fluctuations;**
- (v) skills formation was mainly in-house and company-specific; and,**
- (vi) technological upgrading is limited by ownership patterns.**

The following section discusses country specific industrial relations practices among selected ASEAN countries.

3.5.1 The Philippines

In the Philippines, industrial relations developed under the influence of American colonial rule and continued after independence. The system was quintessentially American, characterised by free collective bargaining, voluntary arbitration, unfair labour practice legislation, and business unionism. In fact, the industrial relations legislation was a copy of the Wagner and Taft Hartley Acts (Villegas 1988). The Government of the Philippines policy in economy, which adopted an import substitution industrialisation programme after independence, witnessed its highest levels of economic growth from 1949-1959 and, during this pluralistic industrial relations period, unions experienced steady growth in terms of membership, while the number of strikes increased. The main goals of the industrial relations legislation was to create a system of rules governing the interaction between labour and employers. By 1960, the Philippines economy was in a foreign exchange crisis brought about by its dependence on imports to sustain its import substitution industries (ISI) policy. Loans provided by the World Bank in this period of crisis were tied to the condition that the Philippines deregulate its economy, devalue its currency and adopt an export oriented industrialisation strategy (Bello and Rosenfeld, 1990).

Although devaluation lowered the cost of Philippines exports, its impact on the fragile import substitution sector was disastrous. The rising cost of imports, and the additional cost of wages, offset devaluation and forced a closure of domestic factories, resulting in widespread urban unemployment (Kuruvilla and Erickson, 1996). It was the declaration of martial law in 1972 which paved the way for a full scale introduction of export-oriented industrialisation based on low costs and foreign investment, and which formed the precipitating condition for transformation of the industrial relations system. Given the cheap labour focus of its export oriented strategy, the Marcos

Government made several alterations in industrial relations policy to boost exports. At the level of the workplace, strikes were banned to guarantee industrial peace and economic development. Collective bargaining was curtailed through the introduction of compulsory arbitration, and unfair labour practices by employers were treated as civil offences rather than criminal offences under the earlier legislation. Existing labour standards were revised downwards, based on the argument that they increased the costs of doing business, while minimum wage revisions were kept to a minimum, and well below the rate of inflation. At the national level, the union structure was altered, based on the one union per industry principle, to facilitate a tripartite industrial relations arrangement where the labour movement under the Trade Union Congress of the Philippines (TUCP) was controlled by the regime. Although these changes were fundamental, the economic impact of EOI on the working population resulted in a fundamental change in the character of the unions. They altered their traditional business unionism strategy to one of political unionism aimed at overthrowing the Marcos regime (Ofrene, 1994).

The shift from pluralism to repression and from business unionism to political unionism, that occurred during the dictatorship period, continued under structural adjustment in 1983. Although the more repressive elements of the Marcos regime were withdrawn under the Aquino government in 1986, the Philippines industrial relations policy continued its low cost focus, with several restrictions on the ability of unions to strike. Currently, the labour movement is largely fragmented with over 155 different labour federations that are constantly competing for a declining pool of union members. The law that permits effective employer retaliation, and limits the ability of unions to strike, coupled with the divisions in the labour movement, ensures that the labour movement is weak. Changes introduced by Aquino, and Ramos, have yet to

take root in the economy, but can be seen as a steady evolutionary change from the repressive Marcos system (Kuruville and Erickson, 1996:123).

The Government of the Philippines has, from the very beginning of the trade union movement, laid down sets of rules and regulations to govern its conduct. These regulations have varied from suppression to subtle co-operation. Even when independent unionism was legally encouraged, the Secretary of Labour and Employment, Blas Ople, maintained certain *overseeing* powers and constantly held a *sword of Damocles* over the trade unions, which became a major irritant in union-government relationships. He remained a powerful person, in charge of the industrial relations scenario in the Philippines for over fifteen years. The Industrial Peace Act of 1953, provided machinery for bilateral collective bargaining and a Court of Industrial Relations was established to oversee the implementation of this law. In 1974, the government tried to reorganise a divided labour movement and a new Labour Code was enacted which introduced a compulsory arbitration process and also the *one industry-one union* concept.

3.5.2 Malaysia

In Malaysia, according to Rohana (1996:31) the ambition of the Malaysian Government to attain an industrialised nation status by the year 2020, means continued reliance on foreign capital and technology, and its own involvement in private investment. Consequently, trade unions will continue to be under strict control and surveillance. This means that unions cannot hope to regain the rights of workers and unions which have been eroded over the decades. As the government continues its privatisation of state enterprises, thousands of workers, whose job security had previously been assured, now face uncertainty.

There has been a lack of stability in the Malaysian trade unions. One argument is that unionism in Malaysia has evolved from a British-patronised mode of voluntarism to one of arbitration. This argument ignores the fact that British-style unions were never really established in Malaysia, and as soon as a state-dominated structure of arbitration crystallised, the state emphasised the need for in-house or enterprise unions. Malaysia is distinguished from other ASEAN countries, in that ethnic antagonism had significantly influenced the Malaysian state, economic policies, and the union movement. The ethnic composition of both the union membership and leadership changed dramatically in the post-war years (Arudsothy and Litter, 1993:107-8). Through government efforts in the seventies, the ethnic composition of the labour force was substantially altered. Malay workers, who were previously mainly found in agriculture and the public sector, entered the industrial sector in large numbers, as a result of the expansion of export-oriented industries located in FTZs and, increasingly, into the service sector in the eighties and nineties. The increasing number of Malay industrial workers, including Malay women, was something new for the government to consider because Malays, for the first time, became potential union members in the private sector. Indeed, the trend in the eighties appears to have been towards a predominance of Malays in the membership of trade unions, and a decline in the percentage of Indians and Chinese. The percentage of Malay union members increased substantially from 27 per cent in 1968 to over 53 per cent in 1983. A similar increase has also taken place at the national leadership level with Malays occupying over 61 per cent of leadership positions in 1985. Malay members and leaders are expected to continue to increase in the future as more Malays enter the industrial sector. Of the organised industrial workers in Malaysia, only about 10 per cent of workers are union members with women making up 25-27 per cent of the membership in 1990 (Rohana, 1996).

One distinctive feature of Malaysian trade unionism is the small size of most unions. Between 1946-87, the average membership was never more than two thousand, and was usually fewer than fifteen hundred. It is difficult to say whether a new conception of unionism is emerging or whether there has been a transformation of industrial relations. Understanding trade unions and industrial relations in Malaysia requires some knowledge of the history of the colonial era and national development during the 1960s and 1970s.

Most of the early organisations were mutual benefit or friendly societies, formed by Chinese workers to promote their interests. Such societies were registered under the Societies Ordinance and could not legally take on the normal functions of a trade union, even though they looked after the welfare of the workers.

Most of Malaysia's unions have the simple structure of a single union, whether they are organised at local/enterprise level or state/regional level. Only unions in the third category, organised at the national level, maintain an elaborate structure of guiding (inter-mediation) between the union executive and the members. Even unions organised at regional or state level have a simple organisational structure whereby members interact directly with, largely, untrained officials. These unions do not have branches, and supreme decision-making power is vested in the general meetings of the members. Government authorities have consistently had the power to investigate the internal affairs of unions, including their financial support. The processes of legal recognition, or registration, for instance, provide an avenue for state pressure. Before a union acquires legal status, a petition signed by at least seven members of the union must be forwarded to the Registrar, together with a list of potential officers and a statement detailing their past and current job and union experiences. There are no

avenues of appeal against unfavourable decisions by the Registrar, so the prospective union leadership is likely to be persuaded to adopt the Registrar's suggestions and to comply with government demands, rather than adhere to rank-and-file wishes.

Rohana (1996:57) explained that the 1990s was a period of intense conflict between the government and the Malaysian Trade Union Congress (MTUC), the main umbrella organisation of unions in Malaysia. The rift coincided with a few pro-government unions, and others disgruntled with the MTUC, forming an alternative umbrella organisation. This rival organisation, the MLO (Malaysian Labour Organisation) still enjoys the blessing of the government. The MLO, which appears to be headed largely by the MTUC leadership's opponents and pro-government employees, appears to have undermined the MTUCs' role in championing the cause of workers. Rohana (1996) explained further that the government's position could be a consequence of efforts to sustain continued operations of foreign capital, and to undermine the largely *anti-government* union officials. In addition, it could also be a result of myopic perceptions of industrial relations on the part of the government. Thus, the government's latest forays into union activity do not augur well for the role of unions in the country.

To sum up, industrial relations in Malaysia reveal a situation where the state imposes strong controls on the trade unions. As distinct from other ASEAN countries, ethnicity dominates the structure and function of the unions. Restrictions were tightened further with amendments to accommodate export-oriented foreign investments. Because of the pioneering status of the textile, garment and electronics industries during the seventies and the eighties, the development of unions was initially prohibited.

3.5.3 Singapore

Singapore has taken the lead in developing an industrial relations model which emphasises trade unions as the backbone of the state in the context of economic development, although the model is authoritarian. To be concise, in Singapore, comprehensive legislation, the Industrial Relations Act of 1960, was passed to regulate industrial relations under the Peoples Action Party (PAP) Government which set out to industrialise Singapore (Leggett, 1996:75). The Industrial Relations Act (Amendment) 1968 was linked to the Employment Act 1968, making a package of legislation to regulate the British military bases in Singapore, which were significant employers of labour. Singapore's labour and employer's organisations had been regulated by the British Trade Unions Act of 1940. Typical of Britain's trade union legislation, throughout its colonies, it provided trade unions with immunities from civil and criminal action, being in restraint of trade, but required their compulsory registration. Under the PAP Government, which has been in power for decades, the original trade union legislation has been amended many times to ensure that trade unions comply, in their internal and external affairs, with public policy. The most significant amendment was in 1982 when the objectives and purpose of trade unionism were restated in terms that deviated from the original British legislation (Leggett, 1996:76).

The Government of Singapore developed a number of unions under the leadership of the National Trade Union Congress (NTUC) which became an important partner in transforming industrial relations through several stages of transition. In Singapore, the purpose of regulations created opportunities of changes in the external global environment was the justification for the transition. The significant years for the transformation of trade unionism have been: 1969 (the modernisation of the labour

movement); 1972 (introduction of centralised wage fixing); 1979 (economic restructuring, in the context of a high wages policy); 1980 (further trade union restructuring); and, 1982 (redefinition of trade unionism). Since then, transformation has been incremental, mostly fine tuning to accommodate changes in the world trading environment and to give Singapore-based companies a competitive edge in that environment (Leggett, 1996: 79). Under the NTUC, Singapore's labour movement has a self-styled symbolic relationship with the PAP, the only party to have governed Singapore since 1959. The current trade union structure, of around 80 unions, is mixed, but all new unions, since the early 1980s, have been of the enterprise type, known in Singapore as *in house-unions*.

Singapore can be seen as the best example, in Southeast Asia, of how trade unions respond to the reality which hampers economic development within a country. For instance, during the recession of 1985-1986, the NTUC agreed to a cut in wages (Tan and Chew, 1996:147).

Singapore also pioneered welfare services under the direction of the NTUC. Richards (1988) argued that Singapore is the best example of a welfare oriented union, where many of its activities are geared towards achieving an improvement of standards of living of the workers and their families through providing welfare services, such as child care centres, education facilities, and amongst others co-operatives. He emphasised that the diversity of the NTUC welfare activities is extraordinary. As many as twelve different major projects could be identified as being in a leisure-time context and this number ignores the significant contribution being made in terms of the occupational safety and health secretariat, whose programme of seminars and workshops, information dissemination and safety inspection have

provided a leadership contribution to the role played by safety committees at the workplace.

To summarise, the trade unions play a leading role in seeking to achieve economic development and improving standards of living of the Singaporeans. The NTUC maintains a strong, autonomous voice, while choosing to co-operate with the state, and is dedicated to improving the welfare of all citizens. The rationale for this is that a strong state is in a strategic position to garner support for beneficial development programmes, while autonomous trade unions can ensure that the interest of its members are elements of state and employer policies (Tan and Chew, 1996:149).

3.5.4 Thailand

In Thailand, the trade union movement is more democratic, compared to other ASEAN countries. The key legal document in maintaining industrial relations practice is the Labour Relations Act of 1979, which pertains to all the elements traditionally associated with *rational* systems of industrial relations. The act accords workers the right to strike, to bargain collectively, and to form trade unions, labour federations, and labour councils and congresses. As few as ten workers may form a union on either a workplace or an industry basis. Their objective must be to secure and protect workers' interests relating to conditions of employment and the promotion of a better relationship between employers and workers and among employees. Despite this, the Thai union movement is weak and fragmented, although genuine unions do exist. Even though less than 15 per cent of the workforce is organised, there are more than seven hundred unions, most organised on an enterprise basis. The existence of five major umbrella organisations complicates matters further and has resulted in a weak labour movement, which can be attributed to this lack of unity. The Thai labour movement is

currently led by two groups; the Council of Employees Organisations and the Labour Unions Co-ordination Group.

Thai society comprises networks led by gangster like businessmen, politicians, and hitmen who maintain a complex link with the military, police, and business groups, all of which underlines the complex nature of Thai business activities. The growth of a parliamentary form of politics has been accompanied by the emergence of a system of industrial relations reflecting the goal of a clear institutional division between economic and political struggles. An attempt to establish a stable industrial relations framework, in which unions could assist in managing conflict, without it spilling over into the political arena, was pioneered in the 1950s.

In summary, Thai workers and their organisation have faced a continual battle for recognition and legitimacy in which opportunities were widely available. From the late 1970s, possibilities for union expansion were more favourable, although by the end of the 1980s and early 1990s, the future of democracy was less bright as the military showed increasing signs of dissatisfaction with the, then, existing government.

3.6 Summary

This chapter has outlined the major differences of the practice of industrial relations between advanced economically developed countries and that of developing countries. The practice in many developing countries is repressive and government appears to play a major role in determining what the policy should be, regardless of the attitude and expectations of the other tripartite constituents. In many instances, an

industrial relations system is based on previous colonial regulations (Singapore, the Philippines, and Malaysia).

The industrial relations practices in many Asian countries, where rapid economic growth is a major objective, ignore the prime function of unions. Unions have to fit into the framework of the over-riding national goal of achieving economic growth, thus any potential conflict is prohibited. The systems approach advocated by Dunlop 1958, and revised in 1993, would be acceptable in most of the developing countries provided provision was made for adaptation to the local cultural environment. In most developing countries, the concept of a tripartite body is accepted as the foundation for the industrial relations system. Indonesia is no exception in this.

The following chapter traces the industrial relations transformation in Indonesia from the period of colonialism, through the post-independence period and up to the present time.

CHAPTER FOUR

THE INDUSTRIAL RELATIONS SYSTEM IN INDONESIA

4.1 Introduction

The administrative structure of the Republic of Indonesia is, by and large, moving towards decentralisation although the practice of current government is centralised in character. Recent changes, however, indicate a shift towards decentralisation, especially in development planning, which emphasises regional differences. In the context of employment relations, the central government decides the policy which applies to its 27 provinces. In this respect, Manning (1996:249) has made the following observations :

Although it is somewhat ambivalent, the government has for the most part attempted to implement labour laws through centralised decree and administration rather than through more decentralised systems of collective bargaining. Enterprise bargaining has been supported and has played a role in determining wages and working conditions in larger and especially foreign owned establishments.

The central government has the power to dictate regional activities, where the Minister of Manpower is responsible for labour protection, manpower placement, training and productivity improvement. The organisation structure of national/local government and the Ministry of Manpower are attached as annexes 1 and 2, while the programme priority of the Ministry of Manpower is in annex 3.

In the area of industrial relations, a tripartite body has been established, since 1978, at national, provincial and district levels. The criteria of this body are based on ILO Convention No. 144, of 1976, concerning tripartite consultation, ratified by

Indonesia in April 1994. The representatives are drawn from government (Ministry of Manpower), workers (FSPSI) and employers (APINDO). Their function is to conduct a forum based on recent developments in industrial relations practice. The structure is, however, centralised. While the national body is chaired by the Minister of Manpower, at provincial level meetings of the representatives are chaired by the provincial governor and, at the district level by the Head of District (*Bupati/Walikota*).

This chapter examines both past and present industrial relations practices in Indonesia. The first section outlines the early development of the trade union movement during Dutch colonial rule, under Japanese rule and, finally, during the Soekarno regime. Section two discusses the transitional period, followed by a discussion on the development of trade unionism under the present government. This marked the era of the amalgamation of trade unions, leading to the recognition of a single federated union, although recently three other unions have emerged but they are not, as yet, recognised by the government. Section three examines the prevailing current national situation of trade unions which to some extent does not *fit* with the current system. This section looks at both internal and international conflict. Section four examines the concept of Pancasila, which underlines the industrial relations system, while section five examines the practice of industrial relations under the PIR system.

While the subject matter received a great deal of attention from international and local scholars from the earliest days of independence to the end of the Soekarno era, little academic work has been undertaken during the administration by current government, apart from that of Wolf (1994), McKilligen (1989) and White (1988). Consequently the analysis relies heavily on daily newspapers and magazines, published

in Jakarta and other cities, as well as from interviews undertaken as part of the present empirical research at local, regional, national and international levels.

4.2 Early development

During the Dutch occupation, the trade union movement in Indonesia was concerned primarily with the over-riding objective of achieving an independent state. Thus, the character was very much influenced by political developments. In 1908, for instance, the *Boedi Oetomo* movement, a modern organisation whose members were indigenous people, attempted to achieve a stable workforce among organised workers. The movement resulted in labour unrest which culminated in 1923 with tension among indigenous and Dutch workers and marked by the first general strike. This strike was led by a trade union activist Sanusi, with support from the Indonesian Communist Party (PKI). Strikes occurred in many industries, such as railways, sea transport, sugar refining and on the plantations. There was, however, a disparity associated with racial identity at that time. The white collar workers, from the Dutch communities, were reluctant to join unions while many indigenous leaders were arrested and identified as being responsible for the disruption. Sanusi was jailed for life and exiled to a remote area. The strike lasted two months but ended in victory for the workers. Following the pattern of this strike, other industrial action took place whenever there were grossly unsatisfactory working conditions and/or welfare services at factories and other capitalist enterprises. Thus, from the first quarter of the 20th century the workers were prepared to rely on political means for achieving social welfare ends.

A political orientation was accepted as part of their existence by indigenous trade unions, for instance, the Railway Workers Union and the *Perserikatan Pegawai Pegadaian Bumiputera* (the Union for Officials and Employees of the Government

Pawnshops), both of which consisted of native workers affiliated to the *Boedi Oetomo* movement. The propaganda of the *Sarekat Islam* (Moslem organisation) found a favourable reception, arousing the national feelings of the Indonesians and stimulating native workers in the pawnshops to organise their own trade union. The union developed as the spiritual offspring of the *Sarekat Islam* and was revolutionary in character with many of the leaders also being leaders within the *Sarekat Islam*. Other strong and independent unions were associated with, and led, by leaders of the PKI (Indonesian Communist Party) which set up the SOBSI (Indonesian Socialist Labour Unions). This union promoted propaganda and agitation as a means of advancing its political struggle to achieve social welfare for its members.

It is worth noting that Soetomo, a leading nationalist, did most of his writing on trade unions during the period 1929-1934, a time when Indonesia experienced massive political repression and most of the radical nationalist leaders were muzzled or exiled. The topics he discussed were, however, limited as he did not wish to incur the wrath of the government, hence his position was moderate, being socially rather than political oriented.

During the Japanese occupation (1942-1945), independent labour organisations were banned and Indonesian workers were subjected to great economic hardships. According to Soepomo (1974), during the Japanese occupation the labour movement was effectively suppressed. During the period of struggle to achieve an independent state, there was, however, a rapid resurgence of union activity. Trade unions had to try to survive, regardless of the country's political climate, but this task was especially difficult in a colonial situation, where the government could arbitrarily dismiss the leadership. The fundamental difference between *Sarekat Islam* and the Communist Party at this period was that trade unionism under *Sarekat Islam* was basically a

defensive economic weapon, geared to ensure the economic survival of the workers, while the communist oriented unions were more political in character.

When Indonesia proclaimed independence in 1945 (although the Dutch only recognised it in 1949), unions were assumed to have an important role in economic, governmental, and political activity. They looked on themselves as an arm of the revolution and indeed, not infrequently played a para-military role. During the Dutch aggression, between 1945-1949, the prime union activity was the struggle for the achievement of national recognition. Following independence, however, employment relations in foreign-owned, and especially in Dutch-owned, undertakings was very difficult. Management in many of these undertakings had little success in establishing systems of co-operation with the trade unions. Political affiliation continued to characterise the labour movement in the 1950s. The parties' efforts to develop mass organisations of their own, including unions, received additional impetus with the preparation for the 1955 general election. By 1957 there were at least twelve labour federations, in addition to a number of regional and local groupings and a large number of unaffiliated independent unions. The principal federation was the communist-oriented SOBSI, which had been founded in 1946 and was the sole effective labour federation. SOBSI was composed primarily of industrial unions but also included some craft workers. It was the largest, strongest, and most carefully organised federation and had the largest number of full-time union leaders. The other major federations were the All-Indonesian Congress of Workers (KBSI) which claimed to be an independent organisation in spite of some PSI (Indonesian Socialist Party) officials and the SBII (Indonesian Independent Trade Union) initiated by the PNI (Indonesian Nationalist Party). While a number of other federations also arose, some were hardly more than paper organisations (Richardson 1958, Tedjasukmana, 1959).

Having previously administered their undertakings very much in their own way, when unions were either weak or non-existent, many managers were not able to change their attitudes. On the other hand, the new trade unions were inexperienced and collective bargaining was still at an experimental stage. Union leaders were often unskilled in negotiating collective agreements and, in consequence, the threat of strike action was frequent, while the compulsory arbitration system tended to result in an over-frequent reference of disputes to the government. Following the colonial period, management regarded trade unions and their leaders with suspicion and even resentment. They saw them as extremists with socialist or communist objectives prone to making irresponsible and impracticable demands, designed to dislocate production, and do all they could to weaken foreign companies and drive them from the country. At that time, President Soekarno, along with other cabinet ministers were anti-capitalist and pro-labour. Conversely, many trade union leaders regarded foreign companies as, in effect, a continuation of the old colonial system and as such a severance, or restriction of Indonesian freedom. Such contrary attitudes were obviously not conducive to good labour-management relations, and changes were necessary on both sides if improvements were to be made. In some foreign companies, management adjusted themselves to the new conditions by recognising the trade union and setting up industrial relations departments to develop better relations with their workers.

Hawkins (1963, 1967) pointed out that the labour movement was primarily a function of the continuing nationalist revolution against the colonial powers, in both the fighting phase from 1945 to 1949 and the period of economic pressure from 1950 to 1958. Although the situation was influenced by the Dutch, during the transfer of Dutch companies, the government committed itself in 1957 by ratifying two of the most important ILO Conventions, No. 87, of 1948, concerning freedom of association

and protection of the right to organise and Convention No. 98, of 1949, concerning the right to organise and collective bargaining. This was partly because the Dutch government had tried to restrict trade unions by limiting freedom of association and by prohibiting strikes. At that time, the majority of workers were peasant agricultural workers; a large proportion of the limited number of wage earners in rural areas were engaged in seasonal work, and a substantial part of the production process was carried out by cottage industries and small scale undertakings. Consequently, because large scale industry was a recent development, employing only a small proportion of the working population, the relatively small number of union members were concentrated in limited sectors of the economy, such as civil servants, teachers, white-collar workers, banking and those employed in transportation, communication, oil refining, mines and plantations.

In industries such as railroads, plantations, and oil, SOBSI appealed chiefly to rank-and-file workers, while the non-communist unions tended to attract civil servants (*pegawai negeri*). In the late 1950s, efforts were made towards a combination of the Moslem federations, and in 1961 most of the members of the Indonesian Moslem Trade Unions (SBII) and KBSI amalgamated into the Association of Indonesian Islamic Labour Unions (GASBIINDO). In a similar move toward consolidation, the KBSI tried to absorb its fellow Nationalist federation, the Federation of All Indonesian Trade Unions (GSBI), as well as a number of local unions. KBSI was unable to maintain its own unity, however, and, in January 1963, split into a faction dominated by Labour Minister, Aham Erningpradja, and a group affiliated to the Indonesian Nationalist Party (PNI) (Hawkins, 1967).

In the 1960s, exact union membership was difficult to calculate. Multiple unionism, for instance, made it difficult for any one union to collect dues, and many

members could not afford to pay. A few unions, however, such as the railway and communications workers' unions used the check-off system, which gave an accurate count of membership, while also providing regular funds for union development. In some cases, workers belonged to more than one union, while others moved from one union to another, depending on whether or not a particular union organisation was prepared to support grievances. The more militant were often willing to join in a strike or a demonstration by a particular union, while not having any real affiliation with it. Through all of this it was obvious that the rank and file was relatively weak and dependent, to a great extent on the leadership. But many of the labour leaders, particularly in non-SOBSI unions, had other full-time jobs and hence could only devote partial attention to their organisation (Hawkins, 1967).

With the end of Dutch political control and economic dominance, but with internal revolts still not fully suppressed, President Soekarno had been exhorting the Indonesian people to *complete the revolution* and to develop their own system of *guided democracy, functional representation, and socialism a la Indonesia*. Although the trend towards more control was already apparent, until the basic economic and political framework of the nation was established, the pattern of labour relations remained fluid (Tedjasukmana, 1959).

The PNI, under the leadership of Soekarno, had an ideology of *Marhaenism*. The term was deliberately invoked by Soekarno, and derived from the word *marhaen* which referred to the ordinary, poor Indonesian for whom, in his view, the word *proletarian* was inappropriate in Indonesian peasant society. The term *proletarian* implies someone who owns none of the means of production, and had only his or her labour to sell. On the other hand, *marhaen* (the ordinary poor Indonesian wage labourer), in Soekarno's view, usually did own some means of production, such as

farm tools or instruments, be it only a hoe or a plough; draught animals such as oxen or buffalo; tools for making goods for sale, such as a hammer or a saw; and, in general, also owned a small area of land. Thus, *marhaen* differed from *proletarian*. The goal of *Marhaenism* is a creation of a happy and prosperous Indonesian society, all members of which would be treated equally without regard to religion, gender, race, political affiliation or other individual characteristics. The struggle to create this society was a nationalist as well as democratic.

To sum up, evidence from this era shows that political upheaval did not directly create a better standard of living for workers. The early development of industrial relations and a trade union movement in Indonesia, both before and after independence, was mainly one of action, taken on an *ad hoc* basis in the context of specific issues, rather than on collective bargaining, but with paternalism characterising the movement and its traditions. Before independence, management in the large foreign-owned undertakings, regulated working conditions without consultation with the workers, collective agreements were rare, and discipline strict. Except for a few statutory requirements and the need to observe government regulations, where contract and forced labour were employed, management was free from legal restrictions. The system was autocratic and working conditions were determined unilaterally, while Indonesian workers, from the early period of the trade union movement, were concerned with the improvement of welfare. Prior to independence, and even during the Soekarno government, political struggle was still predominant.

4.3 Transitional period

Hawkins (1967) has argued that industrial relations during the Soekarno regime went through a period of transition from a colonial to a nationalist economy, but one in which the older autocratic and paternalistic attitudes and policies still continued. While the country was trying to move from an agricultural economy, exporting raw materials, to a more commercialised and industrial base, appropriate measures had not yet been taken into consideration to plan for rapid economic development. Thus confirming the punctuated equilibrium theory of industrial relations, formulated by Kuruvilla and Erickson (1996) as mentioned in chapter 3.

During the transfer of power from President Soekarno to General Soeharto in 1966, the labour movement made little progress, due to the fact that communism was banned, following the national revolutionary riot which resulted in the death of seven generals kidnapped by communist party members. The intention behind the kidnapping was to get the government to tackle the severe situation of poverty and hunger throughout Indonesia. The result was, however, completely different. A brutal coup was carried out in the early morning of 30 September 1965. As a repercussion, both the structure and objective of trade unions in the country underwent change, which culminated in a movement away from political struggle with a social welfare goal to a concentration directly on the improvement of socio-economic conditions. This was marked by the banning of SOBSI, as a trade union movement, due to its affiliation with the Indonesian Communist Party (PKI).

At this time, the New Order Government encouraged a reformation of political parties. Ten parties were merged into three: the *Partai Persatuan Pembangunan* or

the United Development Party (PPP), the Functional Group or *Golongan Karya* (GOLKAR) and *Partai Demokrasi Indonesia* (PDI) or Indonesian Democratic Party. This change had ramifications for the trade union movement, as most of its leaders lost their parent bodies. In November 1969, an *ad hoc* committee of workers' organisations was established. This was known as the Indonesian Trade Union Council (MPBI).

In 1971, the MPBI reconfirmed the basic characteristics of the trade union movement as follows:

- (i) the labour movement must not be influenced by any political parties;
- (ii) trade union activities must be focused on socio-economic issues;
- (iii) the existing trade unions must be reorganised and united through persuasive approaches;
- (iv) the organisational structure of the labour movement must be improved; and,
- (v) trade unions must not depend on external budget resources.

In May 1972, the MPBI conducted a seminar to discuss the amalgamation and simplification of the existing unions. This seminar made two crucial recommendations: firstly, to investigate a new union structure which could function as a socio-economic union oriented towards national development, and secondly, to promote an active role for the unions in the national economic development programme (Shamad, 1995:65-6). As a follow-up to this seminar, the MPBI held a plenary meeting to discuss reformation and simplification of the existing trade unions. They were encouraged to merge and establish a new and single federation. As a result, on 20 February 1973, the multi-unions affiliated to the MPBI established a single federation, the *Federasi Buruh Seluruh Indonesia* (FBSI - All Indonesian Labour Federation) with the existing

workers' organisations becoming sectoral unions. The idea was to use religion and nationalist sentiment as instruments to achieve an ideal *Pancasila* ideology. The functions were as follows:

- (i) **the organisation would be based on the principle of sectoral unions;**
- (ii) **trade unions should not affiliate to any political party; and,**
- (iii) **there should only be one union in each enterprise, affiliated to the industry-based union, SBLP (industrial-based trade union).**

In early 1974, there were 21 SBLPs registered, but only half were active. Among the active SBLPs were the Textile and Garment Union, Rubber and Leather Union, Transportation Union, and Oil, Gas and Mining Union, as these were the industrial sectors which involved more than half the workforce at that time.

The programmes of FBSI were to educate workers, promote income generating projects, and promote collective agreements as a mean of achieving a better standard of living (Shamad, 1995:86-90). At the Second FBSI Congress in 1985, a direct intervention was made by the Minister of Manpower, Admiral Sudomo, to re-structure FBSI into a *unitarist union*, called SPSI which effectively eliminated the existing industrial unions (SBLP) and changed them into nine sectoral departmental units, such as department of agriculture and plantations, department of textile and garments, department of trade, banking and insurance services.

The objectives of SPSI were to unify workers and to foster a sense of collective purpose amongst workers, to protect and maintain workers' interests and rights, and to improve social welfare and working conditions.

The intervention of the Minister of Manpower went further when he issued, in 1986, a regulation restricting the ability of workers' organisations to obtain legal recognition from the government without being affiliated to a national union which, in turn, must be present in at least 20 provinces and have a membership of at least 15 plant level unions in each province. The implication of this regulation was seen in 1992 when the left wing *Serikat Buruh Merdeka (SBM - Setia Kawan* - an Independent Trade Union Movement, committed to human rights issues) and the SBSI failed to obtain recognition from the government as each appeared to be a single national union rather than a federation, and neither had affiliates at national, provincial and district levels. In fact, neither could prove membership at the workplace level, although SBSI claimed to have at least 500,000 members. In 1993, the government recognised these organisations as being mass organisations, but having nothing to do with trade unionism. Surprisingly, the SBSI has become an affiliate member of the ICFTU (International Confederation of Free Trade Unions) and gained international sympathisers, such as the NFV, International Metal-Workers Federation (IMF), Canadian Auto Workers (NAW) as well as the Australian Trade Union Congress (TUC). The leaders of these organisations visited Indonesia in July 1997, to investigate how far freedom of association and the right to organise for workers are guaranteed and also to visit Muchtar Pakpahan, the SBSI leader, at the Cikini Hospital in Jakarta, where he was hospitalised for heart disease. At the same time, they drew attention to the proposed manpower bills which they allege ignore ILO standards, on the freedom to organise and the right to strike. Such direct involvement of foreign-based unions indicates international concern about the practice of industrial relations in Indonesia.

In practice, SPSI did not have genuine contact with the factory-based units of the union. As a result, in its 4th Congress in December 1995, SPSI again changed its structure into that of a federation, the FSPSI. This change was made as a result of

extensive discussion in the media and international allegation which emphasised the inability of the SPSI to represent grass roots interests (which caused many strikes). Consequently, it would be just as appropriate to return to the federal concept which was no further removed from the actual plant-level. According to Sudono, a former FBSI President (1973-1985) it was a setback, or a loss, of ten years, in which more positive action could have been undertaken to reformulate its function and role as the period involved an increase, of at least two-fold, of the labour force entering the industrial sector.

4.4 Current national situation of the trade union movement

The restriction of trade unions without affiliation to FSPSI continued until 1994, before the current Minister of Manpower, Abdul Latief, issued a regulation to set up factory-based trade union(SPTPs), an independent trade union, not necessarily affiliated to the FSPSI, but with only a single union at each plant. According to the data available, currently there are approximately 1,200 SPTP throughout the country. There is no indication that SBSI would be recognised as a trade union. The current government recognised it as an NGO dealing with welfare programme. At the current time, more opportunity was given to legalise its activity as long as it is in line with the Pancasila ideology. Table 1, indicates the number of factory-unit (PUK) of FSPSI and its membership.

Table 1
The development of plant-level unit (PUK) FSPSI
and its membership (1992 - 1996)

No.	Year	PUK FSPSI	Membership
1.	1992	9,435	1,067,914
2.	1993	10,014	1,291,672
3.	1994	10,559	1,482,676
4.	1995	12,739	2,113,640
5.	1996	12,747	2,136,739

Source : Ministry of Manpower, 1997b.

Currently, trade unionism is in a volatile stage due to the extensive involvement of SBSI activists. Dr. Muchtar Pakpahan, one of its leaders has been internationally recognised as a great trade union leader dedicated towards using political aims to achieve workers' social welfare. He is a famous figure within the international labour movement. In 1994 and 1996, he attended ILO conferences which condemned the Indonesian government for ignoring workers' rights to organise and promote freedom of association as an individual's basic right guaranteed. His allegation received support from international trade union movement, such as the NFV.

Observation as part of the current field work, in January 1995, discovered that although SBSI has a branch office in Tangerang, the organisation is, however, powerless, being staffed by frustrated and laid-off workers, but they have the courage to exist. Some activists explained that police and military repression no longer took place although surveillance is still obvious. Discussions with Muchtar Pakpahan, at a meeting also attended by other SBSI activists, revealed that they do not merely want to change the structure of labour unions but the prime objective is to totally reform the national political setting, hence the ultimate goal is confrontation with government. During the field work, the researcher conducted surveillance to observe SBSI

activities. It was clear that SBSI activists were able to assist workers who had been fired. To be precise, eight workers had been laid-off because they did not work on New Year's day. They were trying to obtain assistance from the local Ministry of Manpower, unfortunately, direct assistance was not obtained. They were then met, in front of the Ministry office, by activists of SBSI who offered assistance, stating that they may be able to solve the problem within a week. Attended by the research team, SBSI activists were in negotiation with the personnel manager who, after several meetings, agreed to find a solution, which eventually protect the eight workers reinstated. The success of negotiation may be partly attributed to the presence of the research team, as the personnel manager seemed to be really concerned about it.

In an interview, with Matra Magazine in 1995, Muchtar Pakpahan stated that what the SBSI stands for is *the creation* of an independent, strong and dynamic union, free from internal and external influence, self-oriented, self-finance and controlled by its members, rather than the government. Jones (1997) stated that Muchtar Pakpahan, constitutes a challenge to the existing federation and is a man who, for many, has come to symbolise the struggle for workers' rights in Indonesia. In an interview with Gatra Magazine (August 1997), Jones mentioned that the government should not be continually improving minimum wages in Indonesia, the most important is to provide a wider opportunity for workers to participate at the workplace level. They should be freed from fear to form their own organisation. During the 85th International Labour Conference in Geneva, SBSI activists revealed that they want to open *dialogues* with the national and local authorities, and those concerned with labour matters in order to clarify the original objectives of the organisations. They want to see support from the internal leaders, as international recognition has been achieved by them from many trade union movement in the world who wonder why the FSPSI, as the oldest trade union federation, has no affiliation to any single international trade union movement!!

(*Interview* with Silaban and Simanungkalit, Vice Chairmen of SBSI, Geneva, June 10, 1997).

A year after he retired, a former FSPSI general chairman, Imam Sudarwo (1985-1995) argued that the government's one union policy should be reconsidered, allowing workers the freedom to establish their own unions. He also mentioned that the government has been half hearted in clamping down on companies who violate labour laws. While he was still in charge, however, no effort was made to encourage the development of more independent unions. Clearly, officials are not prepared to criticise while still in power.

Public sector employment in Indonesia is separated from that of the private sector. There is no trade union whatsoever within this sector, which currently employs over 5 million employees. In 1972, the government set up Indonesian Civil Servants' Corps (KORPRI), whose members are civil servants (*pegawai negeri*), and include those working in state-owned enterprises (i.e., plantation, forestry, banking, transportation and communication workers). Law No. 8, of 1974, concerning the basic provisions for public sector employees, guaranteed the terms and conditions of employment of this sector. There is, however, no freedom for employees in this sector to form their own organisation. No matter whether government employees like it or not, they are directed to accept KORPRI as their organisation for dealing with grievances. Other professional organisation exist, for instance the PGRI (Teacher's Association) is responsible for the well-being of teachers. The KORPRI director, responsible for employee relations, assists in solving existing employment problems,

within the public sector. A binding mechanism is not, however, available and often employees are frustrated, if not neglected, as no attempt has been made to provide a mechanism to conduct industrial relations in the public sector. The government is content to rely on the capacity of each Head of Personnel within each organisation's structure to handle day to day activities.

Etty (1990:9) pointed out that the government should guarantee public servants the right to establish their own organisations and to represent their occupational interest outside the KORPRI. It should change its legislation and practice on collective bargaining, in particular the non-existence of public sector negotiations and the level of bargaining. The repeal or amendment of legislation going beyond reasonable limits, as regards the sector of essential services, in which strike action is prohibited is likewise, required. It should also reconsider the compulsory arbitration system for the settlement of labour disputes. This criticism was made with regard to government restrictions, not to recognise unionisation within this sector.

4.4.1 Internal conflict

The government, as part of its reformation programme on laws and regulations, submitted manpower bill to parliament, in early 1997, which include a draft on the PIR system to be formally regulated by law, as recommended by a Workshop held in December 1981. Based on this new manpower bill, existing laws

which are not compatible with the PIR system will be reformed. These include eight laws and six ordinances, the latter being introduced during the colonial period. A provision on labour protection, including the right to organise, was also drafted at the same time. There is, however, no differentiation between laws on industrial tribunals, labour protection, industrial relations, trade unions, and manpower planning. All are reformed into a single draft (all in one!!). W. Bhoka, a chairman of FSPSI, along with leaders of eleven NGOs dealing with labour matters, rejected the draft, although Bhoka was a member of the tripartite body involved in its formulation, however, he argued that the tripartite meeting was drafting 57 out of 159 articles. He wondered where the other 102 articles come from (Republika, 25 February 1997, Media Indonesia, 1 March 1997). Other reasons given for rejection were that it protects highly skilled labour, supports low labour costs, ignores workers' rights, especially the right to conduct a strike outside the workplace and ignores international labour standards. Five fundamental points are contained in these allegations:

- (i) the draft manpower bill suggests that workers are merely a production tool, a concept which is contrary to the PIR system, especially with regard to partnership;
- (ii) the protection of workers is limited to government efforts, thus neglecting the workers' interests;
- (iii) it implies a high level of government intervention;
- (iv) the government reserves the power to interpret such a law; and,
- (v) the mechanism of the settlement of labour disputes will become more complicated.

The eleven NGOs, led by Teten Masduki, Director of YLBHI (dealing with legal aid) have urge the government to take into consideration international labour standards as stipulated in the ILO Conventions and Recommendations, ratified by Indonesia in 1957 (Convention No. 98). Meanwhile, Joe de Bruyn, Vice President of the Australian Trade Unions Council, representing the solidarity of six international trade union movements, who visited Jakarta in August 1997, mentioned (during attending on international conference on trade union rights in Indonesia, sponsored by ICFTU and YLBHI) that the manpower bill has not sufficiently adopted the basic principle of labour protection. For this reason, international trade union movements urge the government and member of parliaments to postpone such a discussion as it should be first corrected to meet basic minimum standards as required by international labour standards (Kompas Daily Newspaper, August 22, 1997).

Despite the fact that there is strong opposition from both national and international trade union movements, the parliament discussed the controversial manpower bill in detail for over three months, from June 17 to September 11, 1997. This bill has been enacted as the industrial relations law of 1997, replacing 5 laws and 6 ordinances. As a result of the intensive discussion, 70 per cent of the substance was changed to accommodate public opinion. In his concluding remarks, the chairman of Commission VI of the Parliament, A R Rangkuti explained that this law will commence in October 1998. He requested government to draft laws on trade union

and industrial relations disputes settlement, as recommended by the new regulation (Kompas Daily Newspaper, September 12, 1997).

In 1995, SBSI drafted two labour laws concerning workers' rights and general protection in relation to terms of employment. Both bills claimed that, during the New Order regime, no single initiative was taken by parliament to draft a bill. The government had become the designer, responsible for drafting all laws, thus, ignoring parliament's function to initiate laws, as guaranteed by the 1945 Constitution.

Hadiz (1997) is of the opinion that the proposed current legislation will intensify rather than resolve labour unrest, as the government still seems intent on curbing the capacity of workers to organise, in the hope that this will, in turn, curb labour unrest and create industrial harmony. He further stated that the government is mistaken if it believes that such policies will solve its labour problems. Workers have continually indicated that they possess sufficient ingenuity to overcome many of the obstacles that the government has placed before them in relation to the freedom to organise.

Hadiz (1997) further stated that business leaders have complained that the government policy of periodically raising the minimum wage is unsound, given the huge burden that businesses have to bear in the form of bureaucratic levies. These levies, many of which are illegal and, therefore, comprise what is popularly known as *invisible costs* have been estimated to comprise up to 30 per cent of a manufacturing firm's total production cost. In supporting this argument, Schwartz (1997) points out

that corruption, manipulation, briberies and collusion have become a way of life in Indonesia, which automatically affects the minimum wage level. In this respect, the World Bank Report of 1996 also indicates that many businessmen are already worried by increasing wage levels in Indonesia.

There are no regulations which cover those workers already earning in excess of the minimum wage level. In practice, this becomes a burden, because workers who are paid above the minimum wage level also seek opportunities to increase their wages. Recent strikes, which occurred at the research location, indicated that, although negotiations had reached an agreement on the demand for a wage increase to reach the UMR (minimum regional wage), workers with over three years experience went on strike demanding an increment equal to that received by those being brought up to UMR level. In some instances, workers also have to go on strikes to obtain their basic rights. The following quotation describes what happened in a factory, producing shoes for an international brand name company, and illustrates the strike action situation in Indonesia:

.....the wildcat strikes such as the two recent uprisings at the biggest factory producing shoes in Tangerang are not usual. What is new is that the mainstream media are now reporting these events. Media coverage gives the striking workers a slightly greater measure of security than they previously have enjoyed. This internationally famous branch company knows that "the world is watching". The second round of protests at the plant was reported to involve some destruction of property. It is likely that provocation by the local authority touched off such activity. Whatever the facts of this particular situation, we should keep in mind that any labour activity in Indonesia takes place in a context of severe repression. The most controversial point in the task force agreement is the standard for wages set up by the government. The agreement accepts the legal minimum wage or prevailing industrial wage (whichever is higher). It is widely acknowledged that, in most countries where the apparel industry produces, the legal minimum wage does not constitute a living wage. It is under the subsistence level of an unmarried worker. Many governments keep the legal minimum unrealistically low in order to attract foreign investment by companies such as those of the apparel industry. To accept the legal minimum as the standard is to require the industry to "comply" with the unacceptable rate which its own out-sourcing practices created. The issue in these disputes is not that this company cannot keep its contractors under control. In fact, the situation is quite the opposite. Huge multinational corporations exercise ultimate control over labour conditions by paying an insufficient rate per item to their contractors. Given what this company pays its contractors per

shoe, those shoes can be made only under sweatshop conditions. This company criticised Global Exchange for its press release based on an April 23 account of the strike printed in the Jakarta Post" (Apakabar News-Network, May 2, 1997).

Manning (1993) pointed out that the duration of most disputes is short, and the majority were caused by wage and welfare issues. Those covered by his study were concentrated in the greater Jakarta region, and a high proportion were in the relatively low wage, export-oriented textiles, clothing and footwear industries. Meanwhile, (Gallagher, 1995) pointed out that there are four major factors which explain why industrial unrest is increasing. These are:

- (i) **macro-economic developments have contributed to a spate of retrenchments and the increasing domestic market saturation faced by many companies;**
- (ii) **neither the government, despite its formal authority to reject requests for retrenchment, nor the unions, was in a position to prevent disputes;**
- (iii) **the mechanism to deal with such problems were inefficient, and did not have the confidence of the workers; and,**
- (iv) **long delays often occurred in the settlement of labour disputes through the involvement of the regional and central committees of the labour disputes machinery (P4D/P4P), while the national union remained under tight government control and did not develop into an effective national organisation able to support genuine plant level union activities.**

Deyo (1989) points out that in other countries of the region it is employees in capital intensive industries, the so-called *hyper-proletariat*, who are most exploited, and are least able and, hence, least likely, to resist exploitation. This is partly attributed to the relatively weak bargaining power of workers in these predominantly non-unionised industries; many of them migrants, and often female, who have little attachment to urban work and residence. In Indonesia, however, the characteristics of workers in these relatively low wage industries are not consistent with the exploited labour picture. Derived from an examination of national labour force statistics (*Sakernas*) for 1990, two characteristics of the workforce stand out in the areas of

greatest industrial dispute. Firstly, the low wage industries in these locations did not employ a significantly higher proportion of females. Secondly, because of the rapid expansion of education in Indonesia in the 1980s, younger workers were better educated than those elsewhere and, hence, were more likely to be aware of their rights. Both these factors probably contributed to greater unrest than might otherwise be expected in low wage industries.

An examination of annual wage rates reveals that the level in all 27 provinces increased by an average of 20 per cent in 1995, which more than compensated for inflation which was running at just under 10 per cent. This is, however, only an improvement for workers who receive the minimum subsistence wage, which is probably no more than a third of the total labour force in the manufacturing sector. This justifies the claim of Bokha (1995), that the welfare of workers had not improved at the same pace as the nation's rising prosperity. Most analysts put this down to the country's weak, and almost ineffective trade union movement, something which Indonesia desperately needs to modernise now more than ever as it is shifting into full gear with its industrialisation process (Sijabat, 1995). During the FSPSI Congress in 1995, hope was placed on it to improve the workers' standard of living. President Soeharto, in addressing the congress, emphasised the importance of empowering workers; improving their skills and productivity to compete within the global economy. The congress recommended that the union formally revert back to its old format as a federation of trade unions with its leadership pledged to do its utmost to strengthen the workers position vis-à-vis management. These high ideals, however,

were being put forward despite the record of FSPSI, which has been ineffective in representing workers' interests. Available data reveal that out of 10,000 labour disputes over the last five years (1990-1995), only 2 per cent were mediated by the unions affiliated to FSPSI.

4.4.2 International conflict

In 1997, the ILO Committee of Experts, on the application of ILO standards noted with grave concern the allegations of anti-union measures submitted to the committee on freedom of association. Discussion of these issues involving Indonesia have taken place in 1979, 1991, 1993, 1994, 1995 and 1997. The committees observed:

- (i) **the need to strengthen the protection of workers provided by section 3(a) of the Guidelines for the establishment and building of a worker's union in a company level (Decree No. 438/MEN/1992), against acts of anti-union discrimination at the time of recruitment or during the employment relations accompanied by sufficiently effective and dissuasive sanctions as required by article 1 and 2 of ILO Convention No. 98;**
- (ii) **the need to adopt specific legislative provisions to protect workers' organisations against acts of interference by employers or their organisations with regard to their establishment, functioning or administration, and particularly against acts of interference intended to promote the establishment of workers' organisation since there is no provision affecting this point;**
- (iii) **the restrictions on free collective bargaining still imposed by Ministerial Regulation No. 03/MEN/1993 on registering trade unions; and,**
- (iv) **the restrictions imposed on the right of public servants to bargain collectively**
(ILO, 1997a: Report III (Part 1A, page 234).

Both the ILO Committee of Experts, on the application of ILO standards and the Committee on Freedom of Association used forceful language to express their deep concern with regard to the persistent and continuing violations of trade union rights in Indonesia and, more precisely, the seriousness of allegations referring to the murder, disappearance, arrest and detention of union leaders and workers.

Meanwhile Etty, a worker delegate from the Netherlands in the same report, criticised to the protection afforded to workers against anti-union discrimination, stating that the government had denied (over the years) that there were any problems with the relevant legislation, and that new legislation, was not necessary, as the law afforded good protection against anti-union discrimination. Nevertheless, for almost 20 years the Committee of Experts and the Conference Committee on Freedom of Association had been telling the Government of Indonesia that this was not the case. In this respect, Etty noted that additional information supplied by experts, workers and employers had been ignored. In 1995, the Conference Committee had urged the Government to dismantle all restrictive registration requirements for the establishment of trade unions. On the question of protection against acts of interference by employers, the report noted that the only development registered was the revision of Ministerial Decision No. 1109, of 1986, by the decision No. 438, of 1992, on the involvement of military officers in labour related problems. The government, which had previously maintained that the 1986 decision afforded adequate protection, then admitted that it was no longer compulsory for workers to obtain permission from their employer to set up a union. Moreover, despite the fact that both the committee of experts and the conference committee considered that the revised Indonesian

legislation continued not to provide adequate protection against acts of interference by the employer, the government refused to take any further action.

The Committee of Experts on the application of ILO standards further noted that, despite the acceptance by the government of a direct contact mission, in November 1993, and a subsequent technical assistance mission, it had to be concluded that the few changes made by the government did not go far beyond mere cosmetics. The report also noted with regret that for a number of years the committee of experts had reported intolerable acts of interference with regard to the right of workers to freedom of association in Indonesia, at both the regional and national level. The report also contained allegations of serious anti-union discrimination, including intimidation, interrogation, molestation, illegal custody, imprisonment, dismissal, and even the elimination (murder) of members of the SBSI. These acts had become systematic and were committed throughout the country. It was alleged that the government, through the police, the army and unidentified employers' groups, regularly put pressure on workers who wanted to form unions. If they did not comply, individual or collective dismissal followed. On several occasions local union offices were ransacked and files taken or destroyed. The arrest and imprisonment of Muchtar Pakpahan came about as a result of such systematic anti-union policies. Basically, the ILO allegation was made with regard to the practice of SBSI activists at the plant-level, while none of the FSPSI officers were affected by such action.

The allegations being made by these ILO committees were basically with respect to the application of articles 1, 2 and 3 of Convention No. 98 on the right to organise and bargain collectively for workers, which Indonesia ratified in 1957, but which has been more or less ignored in terms of implementation.

To sum up this section, the trade union movement, after the amalgamation of 1973, has been restricted to only a single federation which is not able to cope with the increasing number of protests and unrest. The industrial harmony envisaged by the PIR system seems to be impracticable. Despite the condemnation of international trade unions and interventions made by European governments and NGOs, no action has been taken by the authorities to rectify the situation. In the very near future action must be taken to provide the opportunity for *dialogues* between all parties involved in the labour process at the national and regional level as well as at the workplace level, so that the government may be seen to be complying with ratified ILO conventions. A more important consideration, however, is the relevance of a formal Western-oriented union structure in the context of the traditional Indonesian concept of *Pancasila* industrial relations and the conventional *Paguyuban* and/or *Arisan* institutions.

4.5 The concept of *Pancasila* industrial relations (PIR)

An attempt was made by the government, with the financial and technical support of the Frederick Ebert Stiftung (FES), a German Foundation which dealt with labour issues, university staff and workers' and employers' organisations to conduct a national seminar in 1974 in order to initiate an industrial relations system conducive to socio-economic activities. This seminar discussed industrial relations in the context of achieving economic development. As a result, a system was designed based on socio-cultural and traditional values, the so-called *Pancasila* industrial relations (PIR) system.

PIR is a system based on the basic philosophy of the people of Indonesia, which consists of five main social principles of life. These are:

- (i) **belief in the one and only god;**
- (ii) **just and civilised humanity;**
- (iii) **the unity of Indonesia;**
- (iv) **democracy, led by the wisdom of deliberation amongst representatives; and,**
- (v) **social justice for all the people of Indonesia.**

The principals of this system are as follows:

Firstly, industrial relations are based on the One Supreme God, where both employers and workers are able to accept and believe that the company where they work is blessed by the One Supreme God, which creates an opportunity to provide services and dedication to both the state and the people. Soetarto, Director General of Industrial Relations in the early 1970s, writing in 1974, argued that the system contributes to the existing industrial relations theory that democracy should be a fundamental function of the system. A mechanism should be created which is conducive to the local and national environment and workers should be treated humanely. Hence, a basic feature of the foundation is the recognition that the spiritual aspect has an important place in the system by believing that a job is not merely a means to provide the necessities of life but is also a manifestation of God Almighty. Consequently, belief in One Supreme God should be a system that enriches industrial relations theory. The Qur'an (Islamic tenets) points out that work is part of the warship of the One God and, therefore, this principal could be a manifestation of Islamic values, without neglecting other religious beliefs. In a country which is over 90 per cent Moslem population, it is most likely that Islamic values would be accepted at the workplace. The main ideology of *Pancasila* is, however, to provide an harmonious way of life within different beliefs.

Secondly, industrial relations based on a just and civilised humanity, encourages the concept that each worker is not treated as a production factor but is regarded as an individual human being who has a personality and prestige. In this regard, relationships between employers and workers should be based on the true values of the human being and love. Hence, provocation should be avoided by all parties involved.

Thirdly, industrial relations based on the unity of Indonesia, shows that there is no discrimination of groups, with respect to religion, race, ethnicity and gender. Both employers and workers should have a sense of loyalty to the state and to the people and place the national interest above the interest of the individual or group. Every person has the right to obtain a job from anywhere in the country. This is a manifestation of *Bhineka Tunggal Ika* (One in a Diverse Community).

Fourthly, industrial relations based on the tenet that democracy leads to deliberation between representatives, expresses the idea that both the owner of a company and the workers are partners in the production process. If differences of opinion occur, which is inescapable at the practical level, a solution must be reached through deliberation in order to reach a consensus, without provocation. Everybody has to avoid the *class struggle*. Basically, it promotes consultation to reach consensus and brotherhood at the workplaces.

Fifthly, industrial relations based on social justice for the entire Indonesian population, means that employers and workers should make an effort to improve the social welfare of all parties. As most of the company owners are, however, foreigners, it is unlikely that such an idealistic objective would happen.

Sudono (1974), a former FBSI President, argued that the system relies on the value of mankind, on the partnership and social mobility of the Indonesian people and on deliberation to reach consensus without provocation. Meanwhile, Prawironoto (1974) pointed out that industrial relations is a sub-system of the existing social and economic development process of the community. In other words, industrial relations is but one of the numerous sub-divisions of the economic and social system dealing with social relationships within the workplace.

The PIR system emphasises the partnership between workers, management and the government. Although the government inevitably remains an active agent in guiding industrial harmony, based on economic development, it is the intention of the New Order Government to encourage the state ideology, *Pancasila*, and the tenets of the 1945 Constitution of Indonesia in a pure and consistent manner. Thus, the government's wish is that these tenets be seen and felt as an integral whole.

The government has argued that the spirit and values of *Pancasila* should be applied diligently and mutually in the workplace as in other aspects of life. The justification is that the continuing implementation of the on-going process of national development requires a stable yet dynamic situation for its sustainable economic growth. This requires a level of national stability which to some extent, depends on industrial sector activities. In this regard, industrial peace is a major contribution towards stability in the production process. Such peace can only be achieved through the relevant aspects of life at the workplace which ensure smooth, harmonious, and dynamic ways of life (Ministry of Manpower, 1985).

The 1974 seminar produced the following recommendations:

- (i) **to develop an approach to industrial relations conducive to local conditions and national economic development;**
- (ii) **to formulate the *principles system*; and,**
- (iii) **to conduct activities in promoting such a system to the wider community by conducting seminars, workshops and public discussions and dialogues to elaborate upon the primary concepts of the system.**

The PIR system benefited from the concept of *Tridharma*, a trilingual traditional approach to leadership, derived from a philosophical root and applied in industrial relations practices, which advocates that labour, employers and the government should adopt a sense of belonging, a sense of joint responsibility, and a sense of continuous introspection.

4.5.1 The instruments

At the grass-root level, the PIR system involves a bipartite body consisting of representatives of workers and management to consult and to solve any unexpected problem at the workplace. Such a body has the opportunity to set up a factory based-union, leading to negotiating a collective labour agreement (CLA).

At the district, provincial, and national levels, tripartite bodies were established to handle labour issues at these respective levels. The participants are from the government, which is the lead agency, and workers' and employers' organisations. At the district level, the head of the district (*Bupati* or *Walikota*) chairs this body, at the provincial level is the governor while, at the national level, that body is chaired by the Minister of Manpower.

Existing laws and regulations are expected to back this system, although in 1981, a national workshop on the implementation of PIR recommended that at least eight laws and six ordinances were no longer compatible with the existing system and, therefore, needed to be reformulated in order to meet the objectives of the system.

The PIR does not recognise labour disputes but these do exist, hence when friction occurs, due to differences of opinion and interpretations, a mechanism has been set up to resolve such grievances. Initially, an attempt should be made to resolve the difference between the two partners, hence a grievance procedure should be adopted at factory level. Whenever it is not possible to resolve the conflict at plant level, a settlement should be sought in accordance with the existing rules and regulations. If necessary, submission to a third party, to find mediation, can be resorted to. In seeking a solution, both parties should realise that an attitude of patience is one of the key elements. If a case continues to remain unresolved, mediation from the industrial relations officers of the local Ministry of Manpower is then available. If further mediation is needed, submission to the regional and central committees of the settlement of labour disputes (*P4D* and *P4P*) can be made and, ultimately, a final decision may be sought from the Minister of Manpower.

The PIR concept recognises pre-existing workers' and employers' organisations. Within the framework, the labour organisation plays an important role in shaping the philosophy and process of industrial relations. Industrial conflicts have been mainly due to the dissatisfaction of workers on specific issues, such as wages, welfare facilities and the setting up of a union, while employers have complained that productivity was too low, and this has to be reflected in wages and other welfare services. Employers agree that they are not against an improvement in workers' income, but this has to be in line with productivity.

The PIR concept expects specific features from both workers' and employers' organisations. These include:

- (i) **improvements in the participation and responsibility of members in the life of the community and in the national interest;**
- (ii) **improvements in effective communication between participants in the production process;**
- (iii) **improvements in the understanding of all members about their respective rights and responsibilities which help them to effectively devote themselves to the achievement of homogeneous, harmonious, and balanced working relations;**
- (iv) **joint formulation and development of acceptable conditions of service and improvement in the practice of industrial relations; and,**
- (v) **provision of more effective manpower training and development.**

The PIR concept and its instruments reflect the different approaches towards industrial relations theory, especially belief in *One Almighty God* which enriches current industrial relations theory. Although there are partial research findings which attempt to prove the hypothesis (i.e., Manning 1993, Thamrin 1994, Tjandraningsih, 1994), the current project is intended to discover whether, a general perspective, an industrial relations system which is socio-culturally-based and part of an *overall* social system is relevant in the context of the social relations of production, as defined by Cox et al (1971): specifically from the perspective of the right to organise and provision of welfare services at the workplace.

4.5.2 The objectives of the system

The primary objective of PIR is to obtain an ideal society, as indicated in the Indonesian Proclamation, of 17 August 1945, which aimed to develop a welfare state

involving active participation in the development process of the nation so as to create a just community.

These objectives can only be achieved through national peace and stability, discipline, a dedicated workforce and a working spirit in all sectors in order to increase productivity, and the commitment to improve workers' welfare with integrity and in accordance with human dignity. The achievement of the objectives require that:

- (i) **all efforts and activities of the process of national development should be aimed towards providing the greatest benefit to mankind and to the welfare of the people;**
- (ii) **the achievement of the ideals and aspirations of the nation should be based upon national collaboration which stems from mutual assistance and brotherhood;**
- (iii) **political, social and economic democracy should be based upon *Pancasila* principles and national issues should be resolved through the process of deliberation to reach a consensus;**
- (iv) **there should be a balance between worldly interests and life after death, between material and spiritual interests, between body and soul, and between individual and community;**
- (v) **the results of national development should be shared in a just and equitable manner according to the merit system;**
- (vi) **every citizen, including workers, should acknowledge and abide by rules and regulations and should recognise the right of the state to uphold law and order; and,**
- (vii) **national development should be based upon reliance on one's self and the national identity.**

Workers and employers (or management) are partners in the production process. This means that workers and management should maintain mutual co-operation as in Singapore, in which to achieve the smooth operation of the work process for creating productivity improvement and improving workers' welfare. Workers and management are partners in enjoying the fruits of company prosperity.

This means that results should be shared in a reasonable and equitable manner based on their respective performance.

Similarly, workers and management have equal responsibilities towards the nation, the community and the environment, the workers and their families and the company where they work. The interests of workers and management are not contradictory, rather these interests represent the social and mutual interest of both parties. Obviously, only a prosperous company can create and enjoy mutual prosperity. Whenever differences of opinion appear between workers and management these should be resolved through a process of deliberation in order to achieve consensus within a spirit of brotherhood. Thus, the use of pressures and unilateral actions, such as strikes and lock-outs and other means of provocation, are not recognised by the system.

There should be an equilibrium between the rights and obligations of both parties. This equilibrium should not be achieved through a *balance of power* but, rather, through social justice and fairness. The system excludes the element of profit, however, which although achieved as a result of co-operation between both parties, is probably only enjoyed by one, the owner of capital.

In order to achieve an ideal relationship, a social attitude reflecting national unification and unity, co-operation, tolerance, respect of others' feelings, candour, mutual help and self control is required.

A mental attitude on the part of the partners in the production process is required in which the partners demonstrate their understanding of the rights and

obligations of the respective partners. To achieve this, the partners should strive toward the following:

- (i) **workers or union representatives should adhere to the concept of *Tridharma*;**
- (ii) **unions should not only reflect the aspirations of the workers including their right to organise, their collective rights to express their feelings and opinions in respect of their conditions of work, their rights to bargain collectively and other protective rights, but it is equally their responsibility to facilitate the active participation of workers in terms of national development; and,**
- (iii) **the employer is expected to “humanise the human being” in the production process, and to realise that the worker has integrity, dignity and self-respect, and that improvement of the rights and welfare of workers is a duty and at the same time it is also a responsibility.**

In addition to recognising employers' rights of ownership (aside from its social function), the right to develop their business and profit, the right to manage their capital (although the interests of all parties in the community should be observed), employers should also contribute constructively to the welfare of the workers and develop good management practices within the context of national development.

It is difficult to judge whether such a concept is applicable in practice. Over two decades of its enactment, no research has comprehensively analysed this concept in practice, except a partial study, based on secondary data, conducted by Manning (1993), and preliminary studies by Thamrin (1994), Tjandraningsih (1994) which studied the impact of strikes in the Jabotabek area. There is no legal obligation on the part of both workers and employers to comply with the commitment, except that the government always encourages the implementation of such a commitment.

4.6 The PIR concept in practice

This section discusses the *Pancasila* industrial relations (PIR) concept in practice. Although there is a possibility that the concept is applicable, the tripartite constituents in Indonesia have a long way to go if the smooth implementation of the PIR system is to be achieved. This section examines and discusses the relationship between the prevailing industrial relations system in Indonesia based on the *Pancasila* ideology designed to utilise *local culture* as its base, while at the same time recognising the reluctance to fully endorse the *Western* model of trade unionism.

As discussed in chapter 3, there are commonalties and differences within industrial relations approaches and practices among the economically advanced countries and those prevailing in the developing world.

Tan and Chew (1996) point out that the industrial relations model of the Western world does not fit into the Asian context, as the genuine institution of unionisation does not really exist in those countries. They mentioned that the ideology of *Confucianism* is only perceived within Asian countries but is applicable in the workplace environment as well as elsewhere. Derived from experiences from Singapore, they further stated that local conditions should be developed in order to design an appropriate national model for trade union development. In Singapore, the bargaining power was given to the National Trade Union Council (NTUC) and local

unions were encouraged to establish a policy and programme which *fits* within their environment. Meanwhile, Lansbury (1996), in supporting Tan and Chew, points out that *alternative approaches in Asian countries should be undertaken*, if a country *wants to establish a model* which “fits” its local conditions. It is evident that there is no really strong union in any of the ASEAN countries. This has resulted from the desire of governments to encourage a business environment which is conducive to the policy of attracting foreign investment. In other words, the governments wish to maximise on an harmonious relationship between workers and management. The concept of the PIR system differs from the Western system of industrial relations, where, in many cases, workers were, until recently able to create a multiplicity of unions within a single workplace and workers’ rights to organise and bargain collectively with their employers are protected.

The *Pancasila* industrial relations system emphasises stability, harmony and non-confrontational approaches which should be part of the daily life of the workplace. Although in practice, strikes and/or demonstrations occur, there is no place for conflict in the PIR concept. To prevent this shortcoming, the government, together with other tripartite constituents provide adequate measures to protect any party which is considered to be in a weak position.

In criticising the PIR system, Etty (1990:8) has pointed out at least four major deficiencies. These are:

- (i) the ban on the right to organise a trade union for all public servants, teachers and employees of government-owned or controlled establishments;
- (ii) insufficient protection against anti-union discrimination and interference contrary to articles 1 and 2 of ILO Convention No. 98;
- (iii) restrictions on collective bargaining for public sector employees, contrary to article 4 of the Convention No. 98; and,
- (iv) restrictions on the exercising of the rights to strike.

In addition, Etty (1990) draws attention to the fact that the government has not reacted to many repeated requests, by the ILO, to strengthen its legislation against anti-union discrimination, but has rather, by way of a general denial of allegations of anti-union discrimination, referred to the PIR system which underpins the nation's industrial relations activities. Etty (1990) points out that such a bland defence is unacceptable, explaining that:

.....while noting the Pancasila Industrial Relations (PIR), basis of five principles: belief in One God; Nationalism; Humanism, Democracy; and Social Justice, the ILO Committee on Standard Applications reiterates the Committee of Experts' request that more specific provisions should be enacted to ensure full conformity with the requirement of articles 1 and 2 of the Convention No. 98

Manning (1993) stated that the Indonesian industrial relations system framework was a convenient way of giving a national tag to the regional and international trend towards *tripartite* and *bipartite* systems and emphasis on employer and union co-operation. Similar arguments reflect that industrial relations has the chance to be developed through tripartism (ILO, 1985. Marshall 1992, cited in Manning 1993). It is, however, true that co-operation can only come from positions of relatively equal strength. Given a weak and heavily government-controlled union movement, genuine tripartite co-operation is unlikely to occur.

While the Indonesian economy grew steadily in the 1990s (1995 growth was over 7 per cent), many workers were not impressed by this performance. The bottom line concerns their direct prosperity which has hardly improved. Although the extent of labour protest in 1995 was lower than in the previous three years, the significance of protests have changed; workers are no longer protesting at the lack of *normative* rights, e.g., minimum wages, but they now want to strengthen the quality of co-operatives and other bastions of welfare services (Sijabat, 1995).

During the 1990s, employment relations were marked by an increasing number of strikes, many were for quite inconsequential reasons including dissatisfaction with the union leaders. The annual number of recorded strikes were 344 in 1992, 353 in 1993 and over a thousand in 1994. The majority (81 per cent) were concerned with wages and welfare issues. The monthly number of strikes at the national level in 1996 and 1997 are shown in the following table.

Table 2
Number of strikes at the national level
(1995 - 1997)

Month	1995	1996	1997
January	50	24	7
February	45	19	3
March	34	15	3
April	37	56	24
May	33	99	62
June	12	37	17
July	23	25	
August	16	20	
September	10	8	
October	10	12	
November	11	7	
December	6	3	
Total	276	325	116

Source : Ministry of Manpower (1997a)

In 1995 strikes involved 126,855 workers with 1,300,000 lost working hours; in 1996 strikes involved 208,278 workers with 2,305,025 lost working hours. While up to June 1997, there were 61,154 workers involved and 486,820 lost working hours.

Pasaribu (1995), the General Chairman of the FSPSI has stated that strikes can be minimised by increasing wages and improving welfare services. During the first 25 years of the national development plan (1968-1993), wage rates were below the *basic human needs level* for an unmarried worker. For instance, during the Third Five Year Development Plan (Repelita - 1978-1983) the average wage was only 40.8 per cent of that needed to meet physical human needs for a single worker, while in the fourth Repelita (1983-1988), it was 45 per cent. An increase of less than five per cent over five years.

The situation of industrial relations at the national level in terms of institutional programmes are outlined in the following table:

Table 3
The national industrial relations situation
(up to June 1997)

Province	Company (>25) Workers	PUK FSPSI	SPTP	CLA
D.I. Aceh	580	144	68	128
North Sumatra	2,371	1,356	24	1,124
Riau	1,537	320	100	392
Jambi	297	263	22	204
West Sumatra	435	355	43	237
Bengkulu	197	105	12	75
South Sumatra	1,293	413	5	243
Lampung	690	575	62	280
Jakarta	8,405	977	101	1,327
West Java	9,469	1,703	151	1,751
Central Java	3,758	1,711	102	1,293
Yogyakarta	750	291	171	335
East Java	7,196	1,960	30	1,690
Bali	943	292	46	234
NTB	259	265	8	172
NTT	195	219	1	68
Kalbar	680	253	56	148
Kalteng	737	184	20	143
Kalsel	476	112	4	100
Kaltim	1,171	266	31	322
North Sulawesi	541	144	4	122
Sulteng	242	191	10	89
South Sulawesi	566	354	79	249
Sultra	208	64	22	64
Maluku	205	162	23	109
Irian Jaya	396	103	2	50
East Timor	32	20	23	9
Total	43,277	12,747	1,220	10,961

Source : Modified from the Ministry of Manpower (1997b).

The situation of maintaining a single federation, under the FSPSI, was designed by the government to stabilise national economic development and to create a conducive environment in order to attract foreign capital. The government argued that the previous political struggles within unions aggravated an already desperate

situation, both during and after independence, and was inefficient in terms of enhancing the industrialisation process.

With the absence of the FSPSI at the plant-level, the government encouraged the development of factory-based trade union (SPTP) through Ministerial Regulation No. 1, of 1994, which need not necessarily be affiliated to the FSPSI but with the power to negotiate collective labour agreements with management. The regulation stated, however, that there should only be a single union in each plant, which conflicts with the ILO Convention. The characteristics of these unions are genuine, more democratic and more independent in the sense that less intervention is made by the government. Actually, this was an adoption of the SBLP concept introduced in the early 1970s. Meanwhile the number of welfare programmes, in terms of workplace co-operatives and *Jamsostek* membership are shown in the following table:

Table 4
Number of workplace co-operatives and Jamsostek
membership (1994 - 1997)

Year	Number of Co-operatives	Membership of <i>Jamsostek</i>
1994	5,036	6,504,210
1995	6,130	7,429,552
1996	7,392	9,171,090
1997	8,958	10,316,520

Source : Modified data from Ministry of Manpower (1997b).

The objective of the New Order Government was to identify three prime goals; national stability, economic growth and social justice. From the perspective of employment relations, this meant an attempt had to be made to minimise grievances or

strikes that could decrease productivity. The facts show that, in the manufacturing sector, especially in labour-intensive industries, national stability had led to capital inflows which have increased economic growth, however, the workers have had to work extra hard, for long hours, in poor working conditions and for low wages while being denied the right to organise. This means that the first and second objectives have been attained while the third, on *social justice* has not.

Hadiz (1997) stated that, unfortunately, the government may not fully recognise the gravity of the industrial relations situation. In relation to the right to organise and workers' welfare, he mentioned that:

.....while the government has taken up the policy of improving worker's welfare by raising minimum wage levels - in response to growing labour unrest since the early 1990s, it has refused to acknowledge the link between welfare improvement, freedom of association/right to organise and a high cost economy involving collusion, corruption and manipulation.

Hadiz (1997) further stated that the government maintains that it will not recognise a union federation other than the FSPSI because this would contravene the *national consensus* struck in 1973 that there would be only one such organisation in Indonesia. But the government is relying on a consensus produced nearly two-and-a-half decades ago which is, to some extent, no longer relevant to the current situation as the size of the labour force in the industrial sector has tripled. Clearly there is a need for further consideration.

Etty (1997) commenting on the progress of employment relations in Indonesia, as quoted by the ILO report of the Committee on Standard Applications, noted that not only had the government shown very little political will to adopt the changes to the law, requested by the ILO for almost 20 years, but it had also engaged in crude and brutal violation of the convention for many years. Over the past five years, it had relentlessly harassed, intimidated, arrested, jailed and victimised union leaders, activists and members of SBSI. The fate of Dr. Muchtar Pakpahan, was widely known, despite the fact that the governing body of the ILO had repeatedly stated that Dr. Pakpahan was a genuine trade union leader who should be released forthwith and allowed to continue with his trade union work. Moreover, based on the official state doctrine of the *dual function* of the army, retired military personnel continued to take positions in the government-backed trade union central organisation, the FSPSI, and its sectoral unions.

After denying this practice for many years, the government has recently argued that it was the right of retired army personnel to take employment, become members of a union and be elected to trade union office. The real situation was, however, that these army pensioners were selected for these functions by a special army department in view of the government's pre-occupation with security. Finally, Etty (1997) drew attention to the fact that the security forces continued to interfere brutally in strikes and workers' demonstrations. Indeed, the presence of police and military personnel at trade union meetings and other activities was so widespread that it was almost considered to be a fact of trade union life. Although the government maintained that workers were free to set up their own trade unions as in the case of SPTP, it had been confirmed that if such trade unions, expressed the intention to join the SBSI, their existence was immediately forbidden.

During discussions at the 85th ILC in June 1997, Etty argued that the PIR system is impracticable, given that the role of the government is too centralised, and the general lack of opportunity for workers to organise into a trade union of their own choice. SPTP could only become a reality if the government did not interfere during the initial stage of development. He believed that the trade union movement should be reformed with, the full support of the government, and concentrating on partnership efforts. This should be achieved via free dialogues between the government and the trade union movement to take advantage of possible opportunity to encourage freedom of association in Indonesia. When asked if local institutions, such as *Paguyuban* gatherings could support such a development, he stated that the trade union movement is a global movement advancing free collective agreement for the benefit of workers, hence, *Paguyuban* could not support the industrial relations process in Indonesia, given that it is not able to negotiate collective agreements. At the same time, he agreed that such a traditional gathering should be encouraged to create an environment applicable to the local conditions (Interview, June 17, 1997). Such an attitude clearly indicates a lack of flexibility on the part of international trade union leaders to allow for specific local conditions, cultural attitudes and traditional institutions. This negative attitude was further emphasised by the workers' group on the Committee on Standards Application, which stated that the prevailing system of industrial relations in Indonesia was such that the anti-union measures against organisations outside government control, became normal practice. The information and statistics supplied by the government, showing increasing numbers of collective agreements and trade unions at plant-level, did not prove either the true nature of the trade union movement or the success of collective bargaining. Indeed, it was necessary to take into account the content of these agreements to verify that they actually covered improvements in working conditions and wages.

Esguerra (1997) a worker representative from Colombia, cited in the ILO Report (1997b) stated that in spite of the declarations of good-will made by the government representatives, the workers were very concerned at the persistence of anti-union policies in Indonesia. In the developing countries, there was frequently a tendency for undue interference in the activities of workers' organisations, restrictions on the right to collective bargaining and the submission of trade union leaders to the ideas of employers. He emphasised that these restrictions on the right of freedom of association and collective bargaining were unacceptable. National development could not be achieved without respect for workers' rights and he went on to express serious doubts about the positive industrial relations (PIR system) climate described by the government representatives.

To sum up, the attitude of workers' leaders in other countries is that the practice of industrial relations in Indonesia is not in conformity with the concept of PIR, although there is no comprehensive research to judge this point. The ILO allegation is based on articles 1 and 2 of Convention No. 98. Other than this, there is no problem at the workplace level. There is, however, a need to find an immediate solution to the allegation of the ILO and international trade union movements concerning the application of Convention No. 98, of 1949, which Indonesia ratified in 1957, if Indonesia wants to end the criticism against it which has lasted for over two decades.

4.7 Summary

A number of significant points have emerged in this chapter. The labour movement in its early development was political in character, being embroiled as it was in the fight against colonialism, which led to political-unionism. The existing unions were weak, as a result of the government banning those with a communist affiliation, although such political sentiment still existed. Most workers wanted to concentrate on a welfare approach in order to improve their standard of living. There is a significant intervention on the part of the international trade union movement led by the ICFTU, as emphasised by Etty (1990), who feels that if ILO does not respond to the severe conditions prevailing in countries such as Indonesia, then the international labour movement should take more positive action. In so doing, they neglect the fact, however, that local conditions should be considered before making any judgement. The principle of the industrial relations system based on *Pancasila* avoids a *class struggle* as workers are seen as partners in the production process.

Legal provision is needed to move from theory to practice, since there is no law which guarantees the PIR commitment.

These principles are denied by the international labour movement, as it is felt that the PIR concept does not provide adequate provision for the freedom of association for workers to form their own organisations. But it is felt that this attitude neglects local factors. While there is scope for additional national dialogue to facilitate improvements in the industrial relations process, such discussions should not be determined or directed by powerful Western-oriented socio-political concepts being put forward by specific Western, as opposed to Asian-based workers' rights pressure groups.

There is an indication that the development of SPTPs are free from interference from outside the plants. They tend to be more independent as compared to PUK FSPSI. In order to maximise impact, however, the development of SPTP should be integrated in the existing informal *Paguyuban* and *Arisan* gatherings which provide an opportunity for workers to maximise the use of such traditional organisations.

CHAPTER FIVE

LABOUR POLICY AND FAMILY WELFARE

5.1 Introduction

Chapters 3 and 4 outlined the structure of industrial relations in ASEAN countries, where workers organisations are significantly weaker than those prevailing in Western industrialised countries. In Indonesia, the existing single federated union is under repressive control and, although other unions are making an attempt to organise, they are not accepted by the government. In this chapter, existing labour laws and regulations with respect to family welfare programmes, are analysed as an alternative to politically motivated unionism.

Section two begins by discussing the emergence of the new international division of labour which involves most developing countries. While this process contributes to economic growth, it hampers workers' welfare, although it is not impossible to develop welfare services, as experience in other ASEAN countries shows. While the government has generally taken the initiative in introducing welfare programmes, activities at the workplace also involve trade unions and employers' organisations in facilitating programme strategies. Section three discusses the innovative approach made by the ILO, which clearly supports family welfare programmes in the context of worker's education, while section four discusses the industrial sector welfare programmes in selected Asian countries. The main point to emerge is the variation of programme innovation primarily involving employers' initiatives in India, trade union involvement in both Malaysia and the Philippines, and tripartite commitment in Indonesia. Section five discusses the labour policy and welfare programme in Indonesia, where the government has introduced laws and

regulations supporting a family welfare programme, based on a tripartite commitment to family planning, as well as project intervention from the ILO/UNFPA which clearly has had a positive impact on industrial relations. The section concludes by looking at the social security programme for workers. The overall programme has increased the number of workers becoming family planning acceptors, thus, positively influencing family size which has a positive impact on living standards. Although regulations have been introduced, and the impact is noticeable, implementation is still weak and further integrated effort is needed to improve the situation. In section six the national population policy of Indonesia, which supports the organised sector programmes, is then examined. Finally, section seven discusses the overall social welfare concept within Indonesia.

5.2 New international division of labour

Since the 1970s, developing countries have increasingly become a source of cheap labour. A well-known thesis on the new international division of labour was identified by Froebel et al (1980) in a study on the role of textiles and garment factories, non-manufacturing industries and processing zones for export industries in and outside Germany. After the second world war, developed countries were active in seeking relocation of production to developing countries to find a cheap and massive supply of labour. Many companies, both large and small, from the industrialised countries had been expanding their investment production capacities and employment abroad, especially in developing countries, whilst their activities at home were stagnating or even declining. Based on the textiles and garment industries, Froebel et al (1980) concluded that the world market oriented industrialisation, emerging in many developing countries, was not the result of a positive decision made by individual governments.

Industry only locates itself at those sites where production will yield a profit. Most governments, especially in Southeast Asia, are conscious of this, because investors want to locate their money where there is appropriate infrastructure, political stability, low wages and weak unions as well as less industrial strikes. Investment, however, is confined to a few highly specialised manufacturing processes. Inputs are imported from outside the country and are worked on by the local labour force in export processing zones. Frobel et al (1980) argued that these world market factories are industrial enclaves with no connection to the local economy except for their utilisation of extremely cheap labour and such local inputs such as energy, water, land and services. They are isolated from the local economy in almost all other respects. The technology they use is often inappropriate for more general industrialisation within the country and is also dependent on the expertise of foreign specialists and managers.

As a result, export-oriented industrialisation has failed to achieve any improvement in the social conditions of the mass of the population of the recipient countries as the process of industrialisation rarely absorbed any significant proportion of the local labour force. It was oriented to production for export, as the purchasing power of the local population was too low to constitute an effective local demand for the products. Developing countries have increasingly become sites for producing manufactured goods which are competitive on the world market. There are three preconditions which are decisive for this development. Firstly, a practically inexhaustible reservoir of labour has come into existence in the developing countries in the post war period. This labour force is extremely cheap and can be mobilised for production for practically the whole year days, nights and even Sundays included. In many cases, the labour force can reach levels of labour productivity comparable with those in similar processes in the developed countries after a short period of training. In

some cases, companies exhaust their labour-force by overwork and then replace them. In addition the selection of employees is very specific according to age, sex, skills, docility or manageability and other relevant factors. Secondly, the division and subdivision of the production process has resulted in tasks that can be carried out with minimal levels of skills which are easily learnt within a few weeks. Thirdly, the development of transport and communication has made it possible to undertake complete or partial production of goods at any site in the world. This analysis of the situation postulated in 1980 is still valid today despite the fact that during the 1990s some characteristics have changed, due to the rapid globalisation process, but the hypothesis is still relevant.

In the context of manufacturing establishments in Indonesia, the current study corroborates Frobel et al's (1980) analysis, in terms of labour exploitation, while suggesting that there is an advantage to the small group of workers employed. At least they can support their families, educate their children, save money, and contribute to their extended family. This is, however, achieved at a cost of long working hours. Workers are extremely exhausted because they have to work hard for more than ten hours a day, seven days a week, sometimes working the whole year; in one particular person's case interviewed in the current study, without a single day-off. Although, after a seven hour shift, wages are calculated at an overtime rate, most workers still have difficulty in meeting fundamental basic human needs. In fact, the prevailing government minimum wage level is considered as below the subsistence level for a single worker.

The ILO (1996a), argued that the geographical distribution of production in the textile, clothing and footwear (TCF) industries has changed dramatically in the past 25 years, resulting in sizeable employment losses in Europe and North America and

important gains in Asia and other parts of the developing world. This trend has been accompanied by a parallel shift of production from the formal to the informal sector in many countries with, generally, negative consequences on wage levels and conditions of work. The available evidence suggests, however, that globalisation has led to a net gain in the level of world-wide employment.

In the twenty years from 1970 to 1990, the number of TCF workers increased by 597 per cent in Malaysia, 416 per cent in Bangladesh, 385 per cent in Sri Lanka, 334 per cent in Indonesia, 271 per cent in the Philippines and 137 per cent in Korea. The total number of TCF workers in the formal sector is estimated at 23.6 million world-wide. During the same 20-year period, employment in this sector in the developed world declined sharply. For instance, it decreased by 58 per cent in Germany, 55 per cent in the United Kingdom, 49 per cent in France, and 31 per cent in the United States. The decline has been even more severe in Northern Europe. For instance, in the ten years, 1980-1990, Finland lost 73 per cent of its TFC jobs while there was a 65 per cent reduction in Norway.

During the first wave of production, the Republic of Korea, Singapore, the territory of Hong Kong and Taiwan achieved excellent results within their own borders, but then began to cut down production and invest heavily in other lower-cost countries. As a result, between 1985 and 1990, the production of the Philippines, Indonesia, Thailand and Malaysia increased greatly and led the world market in exports of TCF products. These countries have in turn begun to invest or redistribute part of their production to a third wave of countries, such as Bangladesh, Pakistan, Sri Lanka and, more recently, Laos, Nepal and Viet Nam. The ILO report concluded that the impact of the globalisation of TCF production differs according to country and the individual industry.

The global movement of market competitiveness provides evidence that living standards rise as industrialisation proceeds. The export orientation of these Asian economies has been associated with high rates of growth, rising per capita incomes and sharp declines in the incidence of poverty (ILO, 1996a).

It is obvious, as this study shows, that workers have to struggle to obtain a living wage, especially when wage increments are tied to minimum wage levels as regulated by the government. Even worse, they have to go on strike for this. The provision, therefore, of an integrated programme which promotes welfare services as well as freedom of association for workers becomes an alternative to be considered in order to provide workers with acceptable conditions.

Some examples from other Asian countries (section 5.4 below) indicate that welfare services can be incorporated into union activities, as was the case in Malaysia, where a positive programme within the union resulted in a link with management, in the context of a shared ideology, to promote the well being of the labour force, coupled with an improvement in productivity. Unions are not, however, the only mechanism to initiate such a programme. In India, the thrust came from the employers' group. The concept of the PIR system indicates that there should be a partnership programme in Indonesia but, unfortunately, while the concept has been in place since 1974, action has been absent. There is evidence, however, that such a welfare concept is fully accepted by the *Paguyuban* (social gatherings) which are at the heart of activities within the workers' residential areas.

The examples of Philacor (home appliances industry) in the Philippines, as well as Pertamina and PT Unilever in Indonesia, together with the other examples presented

below (section 5.4) highlight the hypothesis that there is a close relationship between family welfare activities and the creation of a situation where both parties become involved in a positive relationship, which embraces a mutual concept of industrial relations.

5.3 An innovative ILO programme

The most encouraging efforts toward improving workers' welfare is the attempt made by the International Labour Organisation (ILO) where, since the 1960s, a world employment programme to eliminate absolute poverty has been in operation. Following the commencement of the programme, many governments in developing countries encouraged employers and organised workers to set up welfare services at the factory level. Workers' welfare programmes have been a focus of the ILO in maintaining workplace stability, the quality of industrial relations and improving the standards of living for workers and their families. As a developing country, Indonesia is no exception and has received specific inputs from the ILO.

One of the major activities under the general ILO mandate is creating harmonious industrial relations. The philosophy of the ILO population/family welfare programme, in the organised sector, may be summarised as follows:

- (i) **the necessity to involve workers in population/family welfare education programmes;**
- (ii) **the lead role played by members of trade unions and co-operatives in introducing new concepts and ideas;**
- (iii) **the advantages to be gained from utilising an already existing infrastructure which, for example, could be an established workers' education programme or a series of *ad hoc* meetings at the workplace;**

- (iv) **the appeal of a personal family economic/family welfare message to an audience of workers; and,**
- (v) **the acceptance of the concept of a workers/management committee on in-plant family welfare/family planning programmes.**

ILO Recommendation No. 122, of 1968, which deals with employment policy, outlines the objectives and methods of a national employment policy and specifically recognises the influences of population growth. Paragraph 28 of the recommendation requests member states, in which population is increasing rapidly, and especially those in which it already presses heavily on the economy, to influence the national economic, social and demographic factors affecting population growth with a view to achieving a better balance between the growth of employment opportunities and the growth of the labour force (Sutanta, 1993:23-4). The mandate given by the governing body of the ILO, in 1976, stresses the involvement of the ILO in population issues by:

- (i) **promoting information and educational activities on population and family planning questions at various levels and particularly through workers' education, labour welfare and co-operatives and rural institutional programmes;**
- (ii) **policy-oriented research on the demographic aspects of measures of social policies in certain fields, such as employment and social security; and,**
- (iii) **action to stimulate participation by social security and enterprise-level medical services in the promotion of family planning (Richards, 1988a:5).**

The basic idea of the ILO in population/family welfare programmes in terms of labour supply can be identified as follows:

- (i) **a country with a very high birth rate will normally have a rapidly growing labour force, though the population and the labour force may not be growing at the same speed (only disaster or an abnormal migration rate can upset this relationship);**
- (ii) **a decline in fertility will have no immediate effect on the size of the labour force, but after about twenty years the effect will be increasingly marked; and,**

- (iii) **the amount of capital available per worker will tend to grow more slowly with rapid population growth (ILO, 1973:85).**

The activities of the ILO population/family welfare programme can be divided into three parts; research activities in the first part, with operational activities being divided into two components, namely education and welfare on the one hand and human resource development, at country level, on the other (Sutanta, 1993). In the education and welfare component, attempts are made to utilise the existing infrastructure, such as established labour institutions and, where possible, on-going development programmes. The operational programme is basically concerned with education and welfare and extending family planning motivation and services through social security and enterprise-based health and other welfare services. Initially, the ILO explored the demand for, and feasibility of, such activities in selected countries. The basic point examined was the role the ILO constituents could play in a population programme. This was discussed in a number of regional seminars at which representatives of governments, employers and workers participated and collectively worked out recommendations on which such a programme could be built.

In the Asian countries, a resolution was passed at the Regional Conference in 1968 urging countries to formulate population policies where appropriate, and to organise family welfare and family planning through educational activities for workers and their families. This could be done through the collaboration of trade unions and employers' associations. The main reason justifying ILO involvement within the region was the fact that most Asian countries already had official population programmes with emphasis on fertility reduction. Over the years, however, resources available to the national programme for the promotion of the concept of a smaller family norm, and the introduction of family planning on a country-wide basis, more often than not resulted in a diffusion of effort, hence, taking a very long period of time

to achieve tangible results (Richards, 1979:2). In Asia, where population policy and officially supported family planning programmes existed in a majority of the countries, the ILO programme sought to bring about, firstly, the acceptance of organised workers and their families as a specific target group with a *lead sector* potential and, secondly, the involvement of the organised sector institutions (such as the Ministry of Labour, trade unions, employers' organisations, and occupational health and welfare services in industry) in the national programme.

5.4 Industrial sector programmes in Asian countries

Examination of the development of the industrial sector family welfare programmes in India, Japan, Malaysia, Sri Lanka, Korea and the Philippines, clearly highlight the different ways in which the programmes have evolved.

Family welfare and family planning in industry, in India, goes back to the early 1950s, when some forward looking enterprises took a lead. It started in 1951 at the Tata Iron and Steel Company, the biggest manufacturing company in India, which employs at least 30,000 men and women. In the initial years the family planning programme emphasised the damage repeated child-birth brought to the health of the mother rather than on the concept of a smaller family norm. The next stage began in 1961, when the programme was integrated with health services provided by the company, particularly with the mother and child health (MCH) services. The following stage was a dynamic one which began in 1967 when various company incentives were introduced, emboldened by the results achieved up to that time (Tata, 1974:2-4). Currently, the programmes have expanded to cover education and training in the field of health related issues, nutrition, income generating projects and child health care,

while the leading agency remains the employers' group (Mamkoottam, 1996, Bharadwaj and Wadia, 1996). Clearly the Indian plant level experience was very much employer lead.

In Japan, a series of experimental programmes were started in 1952 by the Institute of Public Health to test out various strategies for the promotion of contraceptive services (Kato and Takahashi, 1974:125). By the end of 1960, 115 companies, with a total labour force of approximately 1.7 millions, had organised their own family planning in industrial establishments which proved very successful due, among other things, to the fact that all the participating employers had their own health and medical institutions, as well as experienced personnel and industrial welfare services, on which they could call. The significance of plant level health facilities is highlighted here as is the lead given by the personnel managers.

In Malaysia, the programme was initially started in 1972 when a seminar entitled *Technical Co-operation and a Population Programme* was held. It was attended by approximately 400 delegates and successfully introduced, and adapted, two resolutions dealing with population education and family planning services (Zaidi, 1974:15). The programme put forward was attractive to trade unions because it emphasised voluntary means as the focal point of its approach, and activities in connection with family welfare and family planning, while supporting the, then, government's stated objectives. The trade unions were equally frank in expressing their objection and unhappiness over the ruling which restricted the grant of maternity benefits in the private sector to three births only. Thus, in Malaysia, the initial impetus came from the unions.

In Sri Lanka, the industrial family welfare and family planning programme was first conceived, in 1972, by dedicated members of the Council of the Family Planning Association. At the outset, it was decided to conduct activities during working hours, but major problems were encountered by the programme because no industrialist was prepared to provide time for such an activity (De Silva, 1979:94). In 1972, however, a national trade union seminar on population and family planning questions was held which revealed the impotence of the programme due to a lack of management support. Another seminar in the same year, with the same topic, was held but this one was attended by the managers of enterprises participating in the original activities. The conclusion was that top level management should ensure that the importance of the programme and services be impressed on all levels of management. It was emphasised that the co-operation of middle level management and supervisors is an important link in conveying the message of family welfare and family planning to workers. The outcome was the creation of an active programme initiated to, firstly, educate workers and their families in regard to the benefits of family planning and secondly, it was followed by efforts to motivate workers to accept the concept of, and then the practice of, family planning (De Mel, 1979:66). In Sri Lanka, therefore, the programme evolved from one created by the voluntary family planning agency, through apparent trade union support to the eventual decision of management to closely involve middle managers.

The Korean industrial sector family welfare and family planning programmes were introduced in 1972 sponsored by the Korean Industrial Health Association. This association was charged by the government with the responsibility for conducting training programmes for health officers and assistant health officers, in which family planning was included in the training programme. Legislation required industrialists, employing more than 100 workers, to have at least one health officer. These health

officers had frequent contact with the workers on health and welfare issues and a significant part of meetings was used to discuss family issues (Park, 1977:78-9). A success story which may be worth mentioning, in the Korean experience, is that at the Kaum Ho Tire Industrial Co. This company become widely known in the country as an exemplary case in the successful implementation of a family welfare and family planning programme in the Korean organised sector. The characteristics of the family planning services provided at this factory were:

- (i) the programme was incorporated as part of the personnel management policy;
- (ii) the company provided incentives and disincentives to its workers;
- (iii) the major promoting body of the programme was the trade union; and,
- (iv) the family welfare programme was presented as part of a campaign towards a better life (Wang, 1979:87).

Hence, in Korea, management and unions were both involved in the design and implementation of the programme.

In the Philippines, the organised sector programme was regulated by Presidential Decree No. 148 (PD 148) which introduced into the Labour Code, a requirement that all employers, with 200 or more workers should provide trained clinic staff within their factory health facilities capable of providing family welfare and family planning education and services (Richards, 1989:12). The outstanding example of the Philippines organised sector family welfare and family planning programme is that of Philippines' Appliance Co-operation (Philacor). Philacor is a lead agency as is evident by the number of awards received by the company over the years. By 1988, the company employed about 1,800 workers and manufactured around 160,000 appliances a year. Philacor has a medical services team consisting of three doctors, and a head nurse, three nurses, two dentists and a driver/clerk. The family planning service

provides free contraceptives, free consultations and counselling. It conducts regular seminars on both family planning and professional parenting which are designed to orientate family planning acceptors as well as motivators on the concepts of family planning, responsible parenthood and family welfare, introducing various methods of contraceptives currently available. As of 1987, the family planning acceptors were more than 50 per cent of the total workers' couples (Richards, 1989:74, 85-88). While the family planning aspect of the Philacor programme is impressive, the family welfare projects are unique. These included educational activities, vegetable gardening, spare-time income generating activities and various entertainment programmes. From 1988 onwards the programme moved into community development. The success of the programme may be attributed to : the commitment of the employers; the enthusiasm of the vice-president and the entire staff of the Personnel Division; and the support of the militant trade union members (Richards, 1989).

At the same time, welfare services could also be added for the provision of child care to attract working mothers to return to work after delivering babies. The present research suggests that such a provision is still lacking in Indonesia, although there was a major attempt made by the ILO in the 1980s. As most of the respondents in the survey worked at female-dominated workplaces, such a provision was desirable. A research study undertaken for the ILO by Richards et al (1989) in selected Southeast ASEAN countries (the Philippines, Malaysia, Singapore and Thailand), suggests that there are at least two primary inducements in establishing child care facilities, these are a reduction in labour turnover and increased output. The provision of crèche facilities could be either at the workplace level or in residential areas.

Meanwhile, a comprehensive study on the implementation of plant-level family welfare and family planning programmes, in the Philippines by Aganon et al (1994)

confirmed that there is a relationship between industrial relations practice at the workplace, productivity, and better living standards. Even in enterprises with militant union's leaders, such as was the case at Philacor, such programmes have reduced the tension between workers and management. In companies where welfare programmes are obvious, industrial problems tend to be reduced. Aganon et al (1994) also found that family welfare programmes improve both work behaviour and motivation. Regarding the status of any plant level programme, they identified three significant factors:

- (i) managements' positive anticipation of programme benefits;
- (ii) family size; and,
- (iii) the proportion of employees in child bearing age categories.

From the point of view of this study the first point is most significant.

In Indonesia, industry-based family planning was first introduced in the early sixties and predates the national population programme. The private family planning association did some pioneering work on a small scale, on family planning activities for plantation workers at state owned companies in West Java, the railways company and the oil companies outside Java (Suma'mur, 1979:72). An outstanding initiative was made by the state-owned oil enterprise, Pertamina, which was introduced by the management. The strategy was directed towards motivational efforts carried out through multi-approaches, and through the company's established institutional channels such as the management line within the company, the employees wives' association (*Dharma Wanita*) as well as through associated informal channels, such as religious groups and a specific community revolving fund (*Arisan*). The main emphasis, however, was on the involvement of all levels of management in the

institutional aspect, including top-level management who have an important role to play in popularising the idea of the small family norm among their subordinates, both by word and example (Soetono et al, 1988:111). In 1977, Pertamina applied a regulation that integrated specific aspects relating to the family planning programme into their fringe benefits. Benefit limits were introduced, such as the education allowance which was limited to three children. The family planning programme was formally recognised as a part of the health activities of the plant clinic. The plant health unit was responsible not only for providing family planning services but also for co-ordinating all activities within the plant which were related to the promotion of family planning. Pertamina was wholly responsible for financing the programme and the provision became a regular feature of the health budget of the company. At the end of 1986, the programme was able to state 70.9 per cent of the 215,990 employees were family planning acceptors, the small family norm had been accepted and, on average, employees had three children. A direct benefit was the improvement of discipline, through responsible and healthier employees. The most encouraging feature of this endeavour was that top-management was committed to the programme, which it considered to be a positive company contribution towards its workers, on the one hand, and to the nation, on the other.

A similar approach, was implemented at PT Unilever Jakarta, a multi-national enterprise, with its parent company in the Netherlands, which produced foodstuffs, cleaning detergents and toiletry goods. In 1988 it employed 1,086 workers, consisting of 261 males and 825 females. Eighty-four per cent of the women workers were married with ages ranged from 20-49 years. The average salary of workers was Rp.701,139 per month, in 1989, while the daily minimum wage at that time was Rp.2,100. The company has provided health and family planning services including counselling and motivation programmes for women workers and the wives of male

workers, free of charge at the site clinic since the early 1970s. If services were obtained from outside clinics, the company reimbursed all necessary expenses. In 1989, almost all the workers knew at least one method of contraception and the company programme had been successful in terms of motivational and education activities. Forty per cent of the married workers had four children, while the rest had either one or two. The reasons given for using contraceptives by workers were:

- (i) to limit the number of children;
- (ii) to prevent births; and,
- (iii) spacing of children.

PT Unilever provided allowances for welfare and education up to the third child. In 1989, the total contraceptive users among eligible couples was 80 per cent. The programme has received significant support from the management. A simple cost benefit analysis conducted by the RDCMD-YTKI, in 1989, revealed that financial benefits to be derived by employers through providing family planning services were greater than the costs involved. The gender differential amongst the work-force inspired the management to voluntarily undertake family planning services (Sutanta, 1993:82). According to the clinic staff, workers and their family members are given an equal chance to visit the clinic, free of charge for health and family planning services (observation made during the current field work).

Another successful organised sector programme in Indonesia is that of PT Gudang Garam, a clove cigarette factory in Kediri, which offers family planning along with other health services to its 43,000 workers. In this company, over 80 per cent of the workers are women, about half of whom are married. Services are available through one clinic in each site of the establishment, five family planning posts, and 50

sub-posts. Altogether over 13,000 couples were using modern family planning methods, as early as 1987, which included 70 per cent of all women of reproductive age (Rinehart 1987:936).

These examples suggest that female workers, readily accepted the *small* family norm concept which inspired programme implementation. But, at the same time, management expectations of higher productivity, better discipline, and increased dedication of the workforce were among the main forces involved in creating such a programme. Observations made during the present study, in several companies in Tangerang, indicate that family planning is already an accepted practice among industrial sector workers, provided that management are supportive of the concept as was the case in both Pertamina and PT Unilever. This is so because they recognise that family planning can reduce the cost of workers' welfare while at the same time improving industrial relations.

5.5 Labour policy and family welfare

The primary objective of labour policies, which may correlate with the objective of family welfare, is to achieve a better standard of living for workers and their immediate families. Family welfare consists of a package of social, economic and psychological factors which contribute to an increase in the standard of living and an improvement in the quality of life among family members. The most important family welfare components, according to an ILO study report of 1989, are food, nutrition, clothing, housing, health, education, recreation and security. The satisfaction of most of these components is, however, dependent on several factors, some of which are not under the control of the immediate family. For instance, health and medical services,

housing, sanitation and education depend largely on availability of facilities within the community.

ILO-LAPTAP (1989:17) argued that there are at least two important factors which are essential to the satisfaction of family welfare; income and family size. The higher the level of family income, the better the chances of meeting the welfare requirements of the family members. The size of the family depends on the attitude of the parents, with regard to the number of children they desire to have. Given a particular level of income, a smaller family would be more conducive to the attainment of better living standards for the members. Clearly, welfare services should be provided in order to improve the quality of life of the workforce. This should become a growing consideration in labour policy if a country wants to obtain maximum advantage from the industrialisation process.

5.5.1 Laws and regulations supporting welfare services

Studies carried out by ILO-LAPTAP in 1989, in Indonesia, reveal that several legislative enactments and ministerial regulations are concerned with the need to provide for health and family planning, social security and safety and, hence, the welfare of the workers. Provisions have also been made under these laws and regulations to protect workers from occupational hazards and to improve the working environment. In Indonesia article 9 of Act No. 14, of 1969, concerning basic standards of manpower stated that:

Each worker is entitled to protection in respect of occupational health, safety at work, decency, maintenance of morale at work and fair treatment by standards of human dignity and religious belief.

Meanwhile, Act No. 1, of 1951, article 16 para (1) stated that:

The workplace and workers' living accommodation provided by employers must fulfil hygiene and sanitation requirements.

Also, article 2 para (2) of Ministerial Regulation No. 03/MEN/1980 clearly states that:

The provision of social security schemes is the responsibility of the employer and that such schemes should be provided through insuring workers to be liable for social security schemes, or establishing an institution which provides social security schemes, or entering into agreement or membership with social security insurance schemes, or directly managing the provision of social security schemes.

Another option is to mitigate social risks faced by workers and/or their families. Thus, it is obligatory on every employer to report in writing the nature of, and methods by which, social security schemes are provided for the workers. Since 1977, PT Jamsostek (Social Security Agency) previously PT ASTEK has had to provide such schemes for workers. They offer three services; accident compensation, old age pensions and, since 1992, the programmes have expanded to cover the provision of health and family planning schemes.

Ministerial Regulation No. 03/MEN/1982 provides detailed instructions for employers to set up adequate health care facilities and services. These are:

- (i) **assisting workers in obtaining accessible health care services;**
- (ii) **protecting workers against every health defect caused by their employment or working conditions;**
- (iii) **improving health, mental condition and physical aptitude; and,**
- (iv) **providing medical treatment, medical care and rehabilitation for workers suffering from a work-related disease.**

Article 3 of this regulation clearly states that:

Every worker shall be entitled to medical services, and the management is obliged to provide modern medical services.

Also, article 13, paras 2, 3, and 4 of Act No. 1 of 1951 stipulates that:

- (i) **female employees shall be granted maternity leave for one and a half months before the date upon which, according to calculation, the birth of a child is expected, and one and a half months after confinement or miscarriage;**
- (ii) **the time-off granted to a female employee prior to the date according to calculation upon which she is expected to deliver a child may be extended to a maximum of three months if a medical certificate states that such an extension is necessary to protect her health; and,**
- (iii) **a female employee with a child still suckling shall be granted adequate opportunity to suckle her child as necessary during working hours.**

This law obliges employers to pay full wages during maternity leave. It is also significant to note that a female employee is entitled to maternity leave, irrespective of the number of pregnancies she may have had. The length of leave is three months. The elucidation of this act also noted that the government intended to provide, in a subsequent act, crèches where working mothers could leave their children during working hours. But this has yet to happen 45 years on.

An examination in Indonesia of 328 collective labour agreements, 490 company regulations and 35 company decisions by ILO-LAPTAP (1989) revealed that there is no indication of discrimination against the employment of women, or differentiation in the wages paid to men and women for performing the same job. Although the law is silent on the number of children (in respect of whom maternity and child allowances are payable), hence, implying that all pregnancies are eligible, the practice adopted by the majority of enterprises is, however, to limit such payment to a maximum of three children.

The existing law also permits workers and employers to enter into collective labour agreements in respect of any matter both parties consider important and relevant to promote better employment relations as well as enhance the welfare of the workers. Since family planning and the small family norm are accepted policies of the government, collective labour agreements can be used as an institutional approach to facilitate worker/management relations in order to create industrial harmony at the workplace.

Other legal aspects regulating family welfare and family planning services have also been set up by the government. These include:

- (i) **Two joint decrees between the Ministry of Manpower and the Ministry of Health calling for all industries employing more than 300 workers to establish an in-plant clinic at the workplace and provide health and family planning services to workers and their spouses (Kept. No. 235/MEN/1985 and Kept. No. 114/Menkes/SKB/III/1985).**
- (ii) **Ministry of Manpower Circular No. 3 of 1988 which requested enterprises to provide various types of family welfare and family planning incentives including awards, scholarships, discount cards for daily commodities procured at the workplace Co-operative and special considerations in promotion.**
- (iii) **Ministry of Manpower Circular No. 7 of 1988, requesting enterprises which employ more than 25 workers to cover provision of family welfare and family planning services in the collective labour agreement and company regulations.**

None of the above regulations provide for any penalty if employers disregard a provision, other than a fine of Rp.100,000 if it is regarded as disobeying Act No. 14 of 1969. It is, therefore, felt that these regulations are too weak to cover all necessary requirements to be provided by the establishment. Implementation is more likely to depend on the moral obligation of each employer. As most large and medium enterprises in the country involve foreign enterprises which aim to maximise profit, based on low labour costs, such regulations are, more often than not, ignored.

5.5.2 Tripartite commitment to family planning

A progressive step towards strengthening family welfare and family planning services was undertaken in 1984, when a tripartite body, the mainstream of the institutional services of industrial relations (government, represented by the Minister of Manpower and the Chairman of (Badan Koordinasi Keluarga Berencana Nasional (BKKBN - National Family Planning Co-ordinating Board), workers' organisations, represented by the President of the FSPSI and employers' organisations, represented by the President of the APINDO, issued a commitment in the form of a joint decree to implement family welfare and family planning at the workplace. The activities envisaged in this decree included : organising information and education activities and providing family planning services to eligible workers/couples; carrying out family planning education in the organised sector through available training opportunities; developing measures and policies in the manpower field to encourage the practice of family planning and to institutionalise the concept of the small family norm on the part of workers and their spouses; enhancing family planning services within the enterprises and their surrounding communities; and, carrying out regular and continuous monitoring and upgrading of family planning services. The joint decree also identified the roles and responsibilities of each of the four parties in the integrated implementation of family planning services among workers. The major roles of each constituent are:

- (i) **the Ministry of Manpower through its national, provincial and district officers will, among other things foster unanimity with regard to policy as well as mode of implementing family planning services among workers and management;**
- (ii) **the All Indonesian Workers Federation (FSPSI) and its branches will ensure the incorporation of family planning ideas and aspects in the collective labour agreements to be concluded between employers and workers;**

- (iii) **the Indonesian Employers Association (APINDO) and its branches will make use of existing facilities such as medical clinics for providing family planning services to workers and their families as well as to people not otherwise connected with the company, who reside in areas surrounding the workplace; and,**
- (iv) **the BKKBN and its provincial and district offices will, among other things co-ordinate the provision of IEC materials as well as family planning services to be provided within industrial establishments.**

The preceding paragraphs highlight the legal situation in Indonesia, but implementation is another matter. Since there is no legal force to the regulation, implementation depends entirely on the social responsibility of each party to the programme.

It must, however be noted that the available resources of each of the parties were scarce and not sufficient to ensure the smooth process of integrating family welfare and family planning services within the organised industrial sector. This is especially true given the lack of infrastructure facilities available within both the workers' and employers' organisations. The involvement of management in providing family planning as well as family welfare services for workers will, therefore, only take place on a significant scale and in a realistic manner when individual enterprises are made aware of the benefits of such a programme. If this happens, they are likely to be more inclined to create a programme using their own resources. In other words, active participation depends on individual employers. The role of the employers' and workers' organisations at national level merely provides an element of approval and encouragement.

5.5.3 ILO/UNFPA project on family welfare and family planning

With the support of UNFPA-ILO, a project entitled *Strengthening of Family Planning Services in the Organised Sector* (INS/86/PO5) was implemented to follow up the initial commitment of the tripartite group during 1986-1990. The concept of the project was to generate workers' motivation to become involved in family welfare/family planning activities in order to institutionalise small, happy and prosperous families (*NKKBS*) among organised sector workers. This project was implemented in five provinces namely DKI Jakarta, West, Central and East Java, and North Sumatra. The aim of the project was to provide training and education for workers and employers, so that they could contribute effectively to the national goal of lowering the population growth rate as well as to improving the standard of living of industrial workers and their families. The scope of the project was approximately 1,200 establishments employing about 300,000 workers. Before the project started, a baseline survey was undertaken to assess the level of participation in family planning activities. The results show that out of 1,400 establishments, only 20-25 per cent of companies were conscious of the need to set up plant level family planning services. Consequently, the average contraceptive use ranged from 14-46 per cent, in 1983, with workers indicating that a major preventive factor was the difficulty in obtaining services at the workplace. At the end of the project activities in 1990, a study conducted independently by *Yayasan Kusuma Buana*, a private foundation, revealed that 78 per cent of the establishments had set up a family planning unit within the workplace, while contraceptive users among eligible couples ranged from 50-60 per cent, and awareness of the small family norm concept had been identified (Sutanta, 1993:17-8). Under this project, the Indonesian industrial sector programme introduced the following service delivery facilities:

- (i) **Upgrading 120 in-plant clinics to provide contraceptive services to workers and their families at the workplace.**
- (ii) **Encouraging small/medium scale enterprises to conclude long-term contracts with private clinics or hospitals so that workers and their families could receive health and family planning services on a regular basis. Under the arrangements employers were encouraged to pay all the expenses.**
- (iii) **Conducting conferences for employers in order to have their support of plant level family welfare/family planning activities.**
- (iv) **Trained 450 medical personnel (doctors and midwives) who work partly or fully at the enterprises, to provide family planning services for workers and their families.**
- (v) **Trained 2,500 volunteer workers' motivators in in-plant family planning services.**
- (vi) **Setting up ten mutual help (*gotong royong*) clinics in urban low-income industrial complexes, where a large number of workers and their families reside. These workers are employed in small and medium enterprises surrounding the workplaces.**

The final project evaluation revealed that these community service delivery approaches were effective in a situation where workers, from a number of enterprises, were provided facilities at such clinics. Given that a significant number of similar industrial areas exist in many big cities in Indonesia, it was recommended that this particular approach should be strengthened, in the future, as part of specific health schemes for workers.

In 1987, the project pioneered a *family planning competition* among organised workers and employers. A specific programme was designed to promote the family welfare concept. The idea was to promote the small family norm to the industrial workers through their enterprises. The objective being to institutionalise the idea of a small family norm among both workers and employers. Participants came from throughout Indonesia. Those eligible to join the activity were companies employing more than 25 workers. There were four categories, those employing:

- (i) employing less than 100 workers;
- (ii) within 100 to 300 workers;
- (iii) between 300 to 1,000 workers; and,
- (iv) above 1,000 workers.

The criteria considered in the family planning competition included:

- (i) family planning units at the factory;
- (ii) membership of *Jamsostek*;
- (iii) number of family planning acceptors;
- (iv) clinical facilities available, such as health and family planning clinics;
- (v) annual loss of working hours, including number of workers involved in strikes;
- (vi) existence of a workplace union;
- (vii) membership of APINDO (employers' organisation);
- (viii) welfare services at the factory level, such as co-operatives, canteen, transportation, praying room; and,
- (ix) the average monthly wage of each worker.

When the activity started, in 1987, the programme was jointly supported by the FSPSI and employer's organisation. Each institution was responsible for providing a promotional programme through their branches. It became an annual event in 1988, and since then the winners receive a trophy and certificate from the President of the Republic of Indonesia. The activity grew rapidly and received support from the major employers. In 1987, about 5,000 companies participated in the programme but, by 1996, the figure had increased to more than 15,000 companies. Each year the winning

company has come from one of the provinces participating in the original INS/86/PO5 project.

As a result of the BKKBN shift in the 1990s towards family welfare, rather than family planning, the competition is now called the *Workers' Welfare Competition*. The impact of this programme activity is positive in promoting family planning services among organised workers in the context of an attempt to institutionalise a family welfare movement within the organised sector. Although family planning is the core item in the programme, other welfare activities are also important criteria to be fulfilled if a company is to become a winner.

The project strategy has received additional support. The World Bank, for instance, now finances a similar project designed to promote such an idea in other regions of Indonesia. Significantly, in the World Bank Project, workers' and employers' organisations are given an opportunity to conduct their own programmes based on their own perception of the relevant priorities.

Clearly, there are significant advantages when a programme receives support from all parties involved in the production process. Although the programme currently relies entirely on government financial inputs, it is likely that individual companies will eventually provide financial support.

5.5.4 Social security for workers

In 1977, the government, through Regulation No. 77, introduced a social security scheme for workers and created an agency, PT ASTEK, assigned to implement the programme.

The PT Jamsostek, a state-owned enterprise under the management of the Ministry of Manpower, was established by Law No. 3 of 1992. It is designed to maximise its effort to cover family planning services for workers and their families under an integrated health scheme. PT Jamsostek can provide family planning services for workers financed partly by the employers through Law No. 3, of 1992, which regulates that workers should be provided with adequate health and family planning services at work. In this connection, integrating health and family planning services tends to reduce costs for employers and provides easy access to services for workers, which indirectly improves workers' welfare. The commitment of PT Jamsostek to family planning activities may, to a large extent, be ascribed to the fact that the former President Director, Dr Suma'mur, pioneered family planning services among organised workers in the early 1960s, when he was the Director of the Occupational Safety and Health Institute. In the early 1970s, he was appointed as the director of a family planning project in the industrial sector introduced by ILO with Norwegian financial support and, from 1987 to 1990, he was assigned as the Director General of Industrial Relations and Labour Standards (Sutanta, 1993:57-58). He has thus held a series of appointments, all of which provided scope for him to develop his commitment to the concept of improving family welfare through workplace family planning programmes. Under his administration, PT ASTEK changed its name to PT Jamsostek in an effort to develop the programme. The initial programme was, however, limited in its membership, which was confined to workers employed in private enterprises, thus

ignoring non-formal workers, such as those in the agricultural sector, as potential clients. An interview with Budi Martoyo (20 February 1996), the Director of Programme Operations, revealed that PT Jamsostek has now expanded its programme to cover workers in the urban-informal sector such as street vendors, and traders.

5.6 The Indonesian national population policy

Since independence, Indonesia has conducted four population censuses. In 1960, 1970, 1980 and 1990. The population census of 1990, was a crucial test of the fertility control and health policies of the New Order Government. Most importantly, it offered a definitive measure of the trend in population growth rates, the most straightforward quantitative objective of the policy. The preliminary results of the census were announced in December 1990, by President Soeharto. They showed a decline in growth rates and confirmed the falling fertility rates observed through the 1970s and 1980s (Ananta and Arifin, 1990). It is, therefore, safe to assume that fertility is falling in most of Indonesia, due to government policy in promoting family planning as a strategy to achieve fertility control. The strategy was started in the mid 1960s, when Indonesia had a very high level of fertility, by world standards, and there was little sign that this situation would change quickly. In the 1950s family planning programme, the government rejected the concept of population control, and it was technically illegal to import or distribute contraceptives.

The transition from President Soekarno to General Soeharto in 1966-1968 marked a different population policy. While Soekarno believed that Indonesia could feed double its then population, Soeharto was of the opinion that a large population

could only be an obstacle to economic development. As a result, in 1968, the New Order Government established a co-ordination body, responsible for family planning activities. This became known as BKKBN (National Family Planning Co-ordinating Board). *BKKBN* succeeded as the result of being a large establishment, as well as the vertical and horizontal integration of its activities throughout the government structure. Over two decades it has become an inescapable feature of Indonesian society, with the blue and golden BKKBN symbol adorning posters, houses and vehicles across the archipelago. Family planning slogans appear daily on the media (TV, radio and in the traditional forms of theatre, and puppet performance), among young scouts, women's groups and school classes, and feature regularly in presidential speeches. These messages are originated in such ministries, as home affairs, information, education and culture, health, women and social affairs, transmigration and manpower. In the early 1970s, the BKKBN faced some formidable obstacles, the most important of which were setting priorities for work in a nation of thousands of islands, hundreds of mother tongues, and severely depressed economic conditions. It seemed natural that the programme would concentrate first in Java and Bali, since these two islands were the most densely populated in the world. They were also the most geographically and culturally accessible to the national capital of Jakarta. After the 1974 World Population Congress in Bucharest, President Soeharto (one of the state leaders who signed the Bucharest Declaration on Population and Development) was more keen to introduce family planning as a policy consideration.

The Indonesian national family planning programme established immediate and long-term objectives. It is clear that at the heart of any organisation there should be objectives and goals whose attainment will satisfy the needs and desires of its clients, and such objectives also assist the evaluation of the progress of the programmes carried out. The 1988 Indonesian Guidelines for State Policy (*GBHN*) stated that the

goal of the national family planning programme was to improve the welfare of mothers and children, and to create and institutionalise the norms of a small, happy and prosperous family through a birth control programme, and so reduce the population growth rate (BKKBN, 1992a:9). Basically, the goals are both quantitative and qualitative. The quantitative goal is to reduce and control the population growth rate, whereas the qualitative goal is to instil the norms of the small, happy, prosperous family (NKKBS).

The main tasks of BKKBN can be identified as follows:

- (i) to achieve co-ordination, integration and synchronisation in the implementation of the national family planning programme;
- (ii) to make proposals to the government on policy and programme matters;
- (iii) to formulate family planning guidance, based on the main policy fixed by government;
- (iv) to conduct liaison with foreign countries and international institutions; and,
- (v) to control and supervise the use of aid in accordance with government policies.

According to Parsons (1984:6), the primary responsibility of the BKKBN is to co-ordinate all family planning inputs, financial as well as personnel, and overall strategic planning and monitoring of the programme. The chairman of BKKBN is responsible for the co-ordination and successful accomplishment of the programme. To this end, there are two major co-ordination infrastructures dealing with national activities; implementing units and co-ordination forum. The co-ordination of programme activities is performed by BKKBN. The units, on the other hand, are functional institutions and community organisations which have a working relationship with the family planning programme activities. The units consist of government

ministries/agencies which participate in the implementation of the programmes, both at a central and regional level. For instance, the family planning implementing unit of the ministry of transmigration deals with population re-settlement on the islands of Sumatra, Kalimantan, Sulawesi, and Irian Jaya, the ministry of manpower deals with population issues among job seekers and those in employment. In addition there are community associations, organisations and other agencies which, on a voluntary basis, and with their own resources, participate in programme implementation.

It is assumed that an increase in participation, both at the economic and psychological level, will encourage a community to become self-reliant in family planning practice. In terms of behaviour, programme policy is to heighten the awareness of clients in order to eliminate any doubt and to help reduce drop-out levels. Efforts have been made to improve both the quality of services and the quality of contraceptives. As a general policy, family planning clients are encouraged to use contraceptives which are more effective, ensuring better protection against pregnancy. The BKKBN also conducts various activities such as family planning awards for clients who are already long-term contraceptive users through innovative approaches: a coconut hybrid programme; income generating schemes; and, scholarship programmes.

The BKKBN began its programme integration in the Fifth Five Year Development Plan (1988-1993). The aim of this programme was to increase the number of clients and improve their family welfare. Development in the field of social welfare was aimed at improving the distribution of income through the provision of social security benefits for those who needed them. This was intended to improve the quality of life and the motivation of low-income clients to adopt family planning. Finally, equal educational opportunities are seen to be important for further family planning acceptance. With increased education, society's understanding and ability to

accept new living habits, including low fertility, was expected to improve (BKKBN, 1992b:11).

Indonesia has two existing cultural traits in the context of population development, namely co-operation and paternalism. In rural as well as urban areas, it is common for people to work together for their mutual benefit. It is also common for people to respect their formal and informal leaders and to willingly modify their behaviour if these leaders wish them to. In this regard, the Chairman of BKKBN, Dr. Haryono Suyono stated that:

We built on these traits and have established a massive system of volunteers at the community level, working together for the good of their community, under the guidance of the village and sub village heads, religious leaders and formal structure of volunteer leaders. This extensive community participation, as many observers have noted, is very definitively one of the keys to the programmes' achievement (Suyono, 1993:6).

It is apparent that the national programme is well-organised as a result of high commitment from the president down to the lowest ranking government official, while in the industrial sector, the integrated programme has benefited from the national company-based competition which has established a family welfare movement throughout the industrial community.

To sum up, the national family planning programme was implemented in the early 1960s, with support from private institutions. Since the early 1970s, the government has taken a leading role in seeking to achieve small, happy and prosperous families. Hence, its efforts have brought about progress, though a lot of work still needs to be done, especially in enhancing the family welfare movement.

5.7 Social welfare concept

The term *social welfare* in the Indonesian has a very broad definition, covering both the physical and spiritual condition of the population. The welfare concept in the industrial sector refers to services introduced by management, either through government encouragement or independent decisions of employers to improve the standard of living of the workers and their families. The concept differs from that, more or less, confined to unemployment benefit, which is common in more developed countries. ILO-LAPTAP (1989:21) defined family welfare as consisting of a package of social, economic and psychological factors which contribute to an increase in the standard of living and, hence, an improvement in the quality of life of the members of a family. The most important components of the concept are food, nutrition, clothing, housing, health, education, recreation and security. The satisfaction of most of these components, however, depends on several primary factors, for instance, health and medical services, and safe drinking water, amongst others. There are, however, two important factors which are essential to the satisfaction of family welfare. These are income and family size. The higher the level of family income, the better are the chances of meeting the welfare requirements of family members. The size of the family depends on the attitude of the parents with regard to the number of children they desire to have.

According to Suyono (1994), family welfare in Indonesia falls into a number of groups:

- (i) **Pre Family Welfare**, where the family are still not able to fulfil their basic needs, such as clothing, food, and housing.

- (ii) **Family Welfare I**, where they are able to fulfil their basic needs such as clothing, housing, food, and basic health services.
- (iii) **Family Welfare II**, where the family are able to fulfil their basic needs, their social psychology needs, but they do not know how to develop their own family.
- (iv) **Family Welfare III**, where they are able to fulfil their own basic needs, their socio-psychological needs, but are not able to contribute to their local environment, and are not active in their community.
- (v) **Family Welfare III Plus**, where they are able to fulfil their own basic needs, their own social-psychological needs, such as recreation, and are able to contribute to their local and national environment being active in the development of their neighbourhood and society as a whole.

In the *Repelita VI* (Sixth Five Year National Development Plan - 1994-1998), the President designated Dr. Haryono Suyono as State Minister for Population, at the same time he is also Chairman of BKKBN. His appointment was a reflection of his success as chairman of BKKBN since 1983, during which time the BKKBN programme strategy changed from only promoting family planning to making family welfare its principal objective.

In 1994, the government requested successful businessmen, having an annual profit of more than 100 millions rupiah, to contribute two per cent of their total assets to finance family welfare activities. A positive response was made by more than 100 businessman in 1996. Potentially, this was a move to reduce the gap between the rich and the poor by assisting those still below the poverty line. As a result, early in 1997, the government announced that programme and financial resources had moved from the pre family welfare category to family welfare category I, although currently over 20 million population still live under the poverty line. Basically, this is an encouragement for community savings and income generating activities. Suyono (1997) argued that this financial support from the private sector was needed in order to reduce government expenditure and dependence on international donor agencies,

but at the same time it promotes social responsibility for those already living in a better economic condition resulting from national economic development.

Clearly, the social welfare concept in Indonesia stems from ideas held by those involved in population related programmes, devoted towards achieving an ideal family concept. Consequently, although community participation is encouraged by the government, it is very much a top-down policy.

5.8 Summary

While laws and regulations have been enacted to support family welfare and family planning programmes in Indonesia, workers have had little opportunity to participate in the determination of such a programme. While the international division of labour has clearly hampered the development of workers' organisations in many parts of the developing world, experiences in Asian countries suggest that, although workers suffer from low-wages and inadequate working conditions, they can enjoy relatively good welfare programmes, especially if they are employed by large companies. The tripartite constituents in Indonesia clearly have a commitment to proceed in implementing such a welfare related programme.

CHAPTER SIX

MANAGEMENT RESPONSE TOWARDS THE CONCEPT OF WELFARE PROGRAMMES

6.1 Introduction

This chapter examines management attitudes towards workplace welfare programmes. During the field research, discussions were held with both personnel divisions and factory owners. Most of the interviews took place at factory sites during visits by the researcher, accompanied by the local labour inspector and industrial relations officers of the local Ministry of Manpower in Tangerang. Some were, however, met in the context of training seminars, during *Paguyuban* gatherings as well as at strikes and demonstrations. Initially, questionnaires were distributed to 30 personnel managers, but only ten were returned. Of the ten respondents, three were from textiles, three from footwear, and four from garment factories. Of those who did not respond some stated that higher management did not allow them to participate in the survey while others pointed out that they had no authority to describe company policy under any circumstances. Some emphasised that a welfare programme depended entirely on the decision of their board of directors while they, as personnel managers, were merely there to implement such policies. On the other hand, factory owners, when interviewed, did respond positively on efforts to improve workers' welfare. Two of the ten respondents worked for companies that did not have welfare services, while the others pointed out that the employers supported welfare programmes as long as the programme could be shown to benefit their business activities.

During plant visits, managers were happy to draw attention to facilities provided for the benefit of the workers. Such visits involved looking at medical clinics, visiting the mosques during prayer time, observing the sports centre and transportation premises and also involved discussions relating to health and family planning, as well as comparing prices of daily commodities available at factory co-operatives. These visits provided an opportunity to assess the general problems encountered at factory level.

Aganon et al (1994), has postulated that there are three factors influencing factory-based welfare programmes, namely: managements' positive anticipation of programme benefits; the number of employees in the child bearing age groups; and, the number of children which employees have.

While the current study confirms the importance of these three points it also reveals the influence of ownership. Indigenous employers are more likely to be aware of the need to have a welfare programme in operation as a contribution of the company towards eradicating poverty. This point was emphasised by three Chinese ethnic employers. On the other hand, in foreign owned companies, most owners refused to comment, although some were prepared to communicate through their personnel manager. Their attitude to workers was to see them merely as a production factor in a situation where the decision to locate in Indonesia was to maximise profit on the basis of low-wages. Hence, they were reluctant to even consider the idea of welfare programmes at the workplace, although this was not the case in all foreign owned companies, some of which do provide welfare services and, in the case of more recent arrivals, the provision of welfare facilities is of the highest order.

The remainder of this chapter is organised into three sections, the first discusses the situation in companies with major welfare services programmes which, according to those responding, have been of benefit to the companies. This was particularly true with regard to reduced absenteeism; length of employment at the factory and a reduced number of strikes. The second section looks at companies without such a programme and strongly suggests that, although currently no programme is operated, both personnel managers and the factory owners generally appreciate the concept. The third section presents a brief summary of the chapter.

6.2 Companies with a major welfare programme

Most personnel managers stated that they provide many services of a welfare nature. These include co-operative facilities, health and family planning services, uniforms, meals, religious centres, sport facilities, social security, and incentives, as well as sports and recreation facilities. Those with welfare programmes seem to pay better wages as well. All welfare facilities are provided voluntarily as there is no government regulation dealing with the provision of a welfare programme, except the payment of an annual bonus to celebrate the main religious holidays and *Jamsostek* (social security schemes) under the provision of *PT Jamsostek*.

Five personnel managers from textile and garment factories emphasised that two sets of workers were perceived to have gained from the welfare programme; those who accepted family planning and the wives of workers who engaged in income generating projects, such as selling ready-made-foods at the workplace co-operatives, which considerably augmented the family income. One manager explained that:

“we provide a place for workers to sell their products at the factory shop. Many of the wives of the employees sell their “ready made food” there”.

The main advantages of welfare programmes, according to most personnel managers, were:

- (i) the absenteeism rate resulting from family problems dropped considerably;
- (ii) conflicts decreased;
- (iii) disciplinary action becomes less necessary; and,
- (iv) strike actions or *demos* decreased, or were even eliminated altogether.

Consequently, there were fewer pressures on management/union relations to the benefit, not only of the company, but also of the workers and their families. Some also mentioned that productivity levels rose, thus ensuring the viability of the company to exist in an increasingly competitive world. In one garment factory, for instance, management estimated that, as a result of improved discipline which can be attributed to positive changes in attitudes, output had increased to a thousand units a day, compared to around 750 before the welfare programme was introduced.

The personnel managers at factories with major welfare programmes all testify to the beneficial effects of such programmes on the workers. In fact, no negative impact was reported. The most noticeable positive effect was the influence on absenteeism.

The introduction of welfare programmes, in the ten companies from which personnel managers and factory owners were interviewed, has, in all cases, resulted in

a decline in absenteeism rates. The variance statistics calculated are significant and indicate that the relationship observed is not a chance one.

Other positive comments made by management include:

- (i) they become good, dedicated and disciplined workers;
- (ii) the programme helped bring about a highly motivated workforce;
- (iii) workers become more enthusiastic and morale is high;
- (iv) fewer strikes and stoppages take place;
- (v) wives appear to have a better appreciation of their husbands;
- (vi) a positive attitude toward work is fostered; and,
- (vii) family *real income* is improved by a greater use of co-operatives.

While drawing attention to these perceived advantages, the personnel managers were anxious to point out that no cost-benefit analysis had been made to quantify the gains claimed. On the other hand, if one accepts other indicators, companies with major welfare programmes seem to perform better financially than those without such a programme.

Most of the managers, interviewed perceive that relationships with workers had become more harmonious. They were convinced that such programmes had served as instruments to strengthen worker/management relations and to create industrial harmony, leading to higher productivity, by paving the way for employee leaders to be more co-operative and more closely involved in programme priorities, such as in achieving production targets. This has happened, even in companies with militant union leaders.

Most managers pointed out that top management insisted that welfare programmes should be related to improved productivity but such an attitude did not necessarily imply that programme benefits could not be extended to people living in close proximity to the factory. Basically, there should be an estimate made of how much the programme costs, and an assessment of the values added, which would not simply be limited to production output but would include assessments of improved discipline as well as labour turnover. They believed that such a calculation would show that the programme could be of benefit to both parties.

When asked if management would agree to have a mutual programme (*Gotong Royong*) among neighbouring factories, most noted that such a policy would depend on the attitude of the board of directors. But they were in agreement with such an idea pointing out that the concept had been introduced in the Ministry of Manpower/UNFPA funded project, implemented in the period 1986-1990. This project had pioneered *Gotong Royong* Health and Family Planning Services for industrial workers which encouraged small and medium scale factories to work together to provide such services. The programme had been considered a *success* in Tangerang when developed within crowded *industrial centres*. One personnel manager drew attention to the involvement of union leaders and a group of employers who were involved in devising programme activities. Based on the contribution of individual enterprises, workers of the participating companies were eligible to obtain any appropriate service from the centre, be it clinical surgery, contraceptive supplies or simply a counselling service. He recalled that this pioneer programme involved a majority of the factories in Tangerang, due to the fact that it was an area of multiple industrial activities involving small and medium enterprises which, in total, employed over 300 thousand workers.

While the personnel managers were happy to discuss both employment and welfare related issues, the majority were hesitant to discuss matters pertaining to the financial situation of the company. They maintained that they were not in a position to talk of the profit margins of the establishment, which was the responsibility of higher management, neither could they comment on the future development of the company. Unfortunately, there was no opportunity to obtain the views of higher management, as they were always too busy to be interviewed. Those interviewed were even reluctant to supply information, or even comment, on the annual report of the company, which was already in the public domain.

The all embracing nature of the concept of company-sponsored welfare programmes was highlighted by the personnel manager of a footwear factory. His holistic concept was conveyed in the following statement:

“Here, the co-operatives sell cigarettes, snacks and soft drinks that are cheaper when compared to other ordinary outlets (*warung*). It also offer a savings programme, and borrowing money with low interest. There are groups of workers who are active in encouraging the co-operatives programme. Our health and family planning clinic offers information and multi-services, including pills and other contraceptives which are always available. It is open 24 hours, although the medical doctor only visits twice a week. If workers visit a private clinic, we reimburse the expenses. You can visit our "mosque" which is the biggest in this area, and we invite the surrounding community to pray too, especially on Fridays. Our menu is better than that compared to the *Warung Tegal* (traditional fast-food), out there. In this factory, there is no differentiation in the menu: managers and workers eat the same food. Tea and coffee are available 24 hours a day and are located in every corner of the factory. We use common toilets for everybody. Moreover, workers receive higher than the prevailing minimum wages”.

There was, however, a negative side to this particular programme. The company, which was a foreign-owned establishment did not allow a union to exist. When asked, why there is no union in this factory?, the personnel manager replied that the company owner does not welcome it. He then went on to ask the question:

“Why should we be persuaded to have a union?”, (and then stated that the owner emphasised that) “our services are much better when compared with those factories that allow unions. Our wages are higher than the existing minimum wage; overtime rates are higher than ordinary rates; we provide training seminars for all workers with topics ranging from how to improve productivity to issues relating to worker/management relations; we provide a crèche for worker’s children, free of charge and once a year we organise a trip for workers and their families”.

Several companies offer similar welfare services but, again, they are mainly foreign-owned big companies. Interviews with personnel managers of Korean and Japanese firms revealed that they were happy to work for foreign-owned companies and are impressed with the attitude of the work force who, they said, appreciated the welfare facilities provided. They were not, however, prepared to discuss any aspect of unionisation. They pointed out that existing laws and regulations clearly stipulate that every effort should be devoted towards achieving industrial harmony and economic development. Hence, they were not prepared to either criticise or comment on the prevailing situation, emphasising that *workers are our partners, we should work hand-in-hand to increase profit*. The general attitude was that decisions on industrial relations practice is not the sole responsibility of the personnel department, but also involves higher levels of the management hierarchy. Most managers, however, felt that the current PIR system has the advantage of creating mutual understanding and encourages partnership between workers and management. They felt that this system should take a prominent place in advancing workplace collective bargaining decisions. Most personnel managers stated that the *workers are partners in the production process*, hence, there is no place for *antagonism*. It was evident that there is a strong commitment among the managers to apply the principle of the PIR system at the workplace level.

During the negotiation process of a collective labour agreement, for instance, the management believed that deliberation to reach a consensus should be the backbone of the negotiation, and no party should attempt to dominate the other. If it is not possible to reach agreement, then the parties should immediately agree to seek the assistance of the local Ministry of Manpower office which would provide necessary guidance to avoid a deadlock.

Most personnel managers stated that workers will inevitably perform better as a result of improving living standards, hence, welfare programmes, especially family planning programmes have become a priority policy for companies, in order to increase productivity. Directors only welcome welfare programmes, however, as long as they are tied up with productivity. To this end, as a pre-programme activity, the personnel division should conduct a feasibility study which includes such issues as: How much money should be invested in a programme?; How long will it take to show a return on the investments?; What are the most important programme aspects for most workers?; Can workers be given an opportunity to contribute in the formulation of such a programme which will be of benefit to them?; and what direct and indirect benefits can the company expect from such a programme?; and, Should workers be given an opportunity to initiate welfare programmes that fit their environment?'. If such a feasibility study were to come up with positive answers, the board of directors would generally go along with the recommendations made.

Where welfare programmes and unions both exist, it was felt that co-operative and collaborative activities with unions have expanded, so it was not appropriate to regard welfare programmes as a substitute for unionisation.



Most of the personnel managers interviewed felt that the government should regulate welfare programmes, and make it compulsory for employers to provide such facilities. The effort of the Ministry of Manpower, along with APINDO and FSPSI, should be supplemented by other institutions (NGOs) to encourage welfare programmes at the workplace. They were convinced that welfare programmes would improve worker/management relations.

A number of innovative proposals were aired during these discussions. Some felt that there was the opportunity to establish a network of managers wishing to work towards the improvement of welfare programmes. Regular meetings would allow for the opportunity to compare experiences and develop appropriate strategies for implementation at plant level. The Ministry of Manpower and BKKBN could become involved. It was felt that exposure to others' experiences would be of considerable significance. Some felt that such a grouping could evolve to bring in top level management so that they too could become aware of the situation.

6.3 Companies with a limited welfare programme

An attempt was made to examine the situation in factories that had no specific welfare programmes other than food and co-operative programmes but, unfortunately, personnel managers from only two companies completed the questionnaire and they were working in foreign-owned enterprises. Although a number of others were available for interview, the total number involved was small. As a result, the impressions obtained may not be representative in any way. This situation is further compounded by the fact that all the managers interviewed were keen to establish such programmes at their own plants.

It was pointed out that employers face a substantial *non-productive* financial commitment that works against the provision of welfare services, to the extent that funds are otherwise used up. The hub of this problem, which should urgently be tackled by the government, is the wide-spread existence of corruption, collusion and bribes prevailing at the workplace which, in some cases, amounted to as much as 30 per cent of the total production cost.

Another factor mitigating against the introduction of welfare services is the fact that the new international economic order is actually causing outlets for individual factories to shrink. As Indonesian exports once replaced those from, say, South Korea, Indonesian outlets are now giving way to, say, Bangladesh. This is particularly true in the case of textiles and clothing. Consequently, with a declining market and, thus a declining income, an employer cannot consider a welfare programme which will, in the short term lead to increasing costs. A personnel manager at a textile factory emphasised that, *if we have to be honest, the textile industry in Indonesia is in the process of slowing down, our orders are decreasing. We face more competition than ever before. While the level of production is static, additional optional expenditures cannot be considered.*

In addition to the problem of declining market share, is the fact that the necessity to comply with government minimum wage legislation is backed by law. These additional costs are compulsory, the introduction of welfare facilities is not. Clearly, management has difficulty in accepting minimum wage regulations which are contrary to the *low wage* concept, which attracted foreign companies to Indonesia in the first place. Labour costs currently surpass the amount that employers had calculated, at the outset. Such a situation prevents any consideration, with respect to

the introduction of even a limited programme of welfare services, in the prevailing economic climate.

A manager of a footwear plant pointed out that there is no compulsory regulation which obliges companies to run a welfare programme. Even if the concept is inserted in a CLA, there is no law-enforcement implication and, therefore, action is not likely to take place.

Another personnel manager stated:

"we are overwhelmed with existing problems: wage increments, labour unrest, production, bottlenecks, bureaucracy, corruption, bribery, etc. Consequently, the owners are not keen to introduce externally influenced programmes. While they agree with the concept of workers' welfare, when a separate programme is stipulated by government regulation, such as health and family planning, nothing will be done".

This respondent envisaged such a programme in the future provided *the owners can be convinced of its advantages*.

A line manager in a footwear company pointed out that:

"our company has more urgent matters to attend to : production, technological adjustment, lack of skilled workers which are all affected by changes in the international market, personnel matters related to the production process, and labour relations. Certainly, welfare services will improve the quality of the work-force. We are convinced of the beneficial impact of such a programme. But we have to prioritise other activities, first. In the future, who knows, based on the understanding between workers and management, such a programme could be developed".

An entirely different reason was emphasised by the personnel manager of a garment factory owned by a Taiwanese investor. He pointed out that the: *employer is not aware of it*. There appears to be no strong emphasis given to the promotion of factory-based welfare programmes, either from the local Ministry of Manpower office

or the FSPSI. A similar point of view was put forward by a personnel manager of a textile company, who stated that: *the top management does not appreciate the need for a factory based family planning programme, and is not actively promoting one because of the lack of pressure and support from the local authority*. There is no discussion whatsoever on the matter, and management claims that *workers do not need it, we are trying to give them higher wages, they have good salaries anyway and outside services are already available*.

Some of those interviewed were of the opinion that there is currently no compulsion to organise such a programme. One manager stated: *discussions have already been made toward the establishment of a welfare programme and it has already been incorporated in the collective labour agreement, implementation is just a matter of time. Management welcomes it and there is a willingness to support such an endeavour. But not in the current financial climate*. Such points are validated by the responses of the workers who averred that indeed they see many managers to be quite supportive of such an endeavour in the future.

6.4 Summary

There is *no opposition* whatsoever on the part of management and factory owners to the concept of welfare services at the workplace. Shortcomings exist, however, because most managers and factory owners are not aware of the criteria of the programme. In fact, the majority of personnel managers interviewed urged government to provide necessary regulations which would make it obligatory for the company to undertake such a programme. Before such a programme could commence, however, cost-benefit analysis studies should be conducted to assess the impact both

on productivity and on the standard of living of the work-force and their families. Many managers insist that any programme should be established in an *integrated manner*, so that each sectoral programme does not *overlap* with others. For instance, that welfare institutions are linked with safety and health issues as well as wages. Such programmes should be seen as specific components of a whole, with all having a potential to influence productivity.

CHAPTER SEVEN

WORKERS COMMENT ON CONDITIONS AT THE WORKPLACE

7.1 Introduction

This chapter is the first of three in which the responses of the workers are analysed. It examines the general attitude of workers with respect to their workplace environment while the subsequent chapters (8 and 9) concentrate on welfare issues and the living environment respectively.

The data originate from various sources, the survey, interviews at the time of company visits and observing particular activities, as well as from focus group discussions. The respondents were 600 selected workers from export-sector, labour-intensive industries of Tangerang region, West Java. The chapter opens with a presentation of the profile of the respondents and then examines issues affecting job security, and workers' rights. It then considers the concept of unionisation in the perspective of *Paguyuban*, the way of settling matters based on traditional values, and goes on to look at the stability of worker/management relations in the light of the growing propensity to take strike action; the bargaining position of the workers, especially in relation to CLAs, and stability at the workplace.

The presentation of this chapter has evolved from studies conducted in Southeast Asia (Islam, 1989, Deyo, 1989) which found that, generally, the situation of organised workers in the region was prone to the prevalence of low-wages, weak unions, long working hours and inadequate working conditions. Such conditions prevail in Tangerang.

All too often matters directly affecting employees are discussed by others without any direct involvement of the workers. This reflects the traditional patron-client relationship (*bapak anak buah*), where the junior partner in this case the worker, is not expected to express his or her genuine feeling. In an industrial setting this is exaggerated as the employee is not prepared to debate or discuss any policy aspect with the employer as experience often shows that those who do so will be *laid-off*. Although not satisfied with the situation, workers are reluctant to become members of the existing union. In most cases, workers are pleased to set up a union of their own choice, but they are afraid to do so because management does not welcome unionisation other than the PUK FSPSI. Only activists, not afraid for their own futures, are prepared to do so. Clearly, there is a gap between ordinary workers, on one side, and union leaders, working in collaboration with government authorities and management representatives, on the other. It therefore appears that the only channel for workers to take part in some discussion is through the existing traditional *Paguyuban* and or *Arisan* gatherings, as discussed in chapter 9.

7.2 Profile of interviewees

The place of origin of workers in Tangerang varies. The majority were born in Java, but some are immigrants from other parts of Indonesia, which indicates a high population mobility in the search for work. The potential workforce moves from rural to urban areas, as factories are generally located in big cities, and their surroundings, which are concentrated in Java island. Java is still the predominant place for new investment. Tangerang is attractive, both as a living and working area, to impoverished rural peoples given the fact that there is little opportunity for paid

employment within their place of origin. Most, but not all, respondents both work and live in Tangerang and its surroundings, despite the fact that housing facilities for workers in this region are already over-crowded, resulting in the growth of slum areas. In one location, for example, there were over ninety households in each *Rukun Tetangga* (smallest unit of the village) which normally provides accommodation for 30 households.

The respondents in the survey are represented by both genders, although females are more frequent than males (54 per cent to 46 per cent). Gender differentiation varied between industrial groups: seventy per cent were male workers in textiles compared with 74 per cent being females in the garment sector, however, 26 per cent are male in garment factories, compared to 74 per cent female while in footwear factories there was a more or less equal representation (56 per cent to 42 per cent).

The majority of respondents were aged between 21-30 years of age, although in the garment sector nearly a quarter were aged below 20.

Most of the respondents work on the production line, with a few being mechanical workers or administrators. The morning shift is dominant because the survey was done in the evening and thus, unintentionally, afternoon and night shift workers are under represented. It was difficult to conduct the survey at the factories, due to hesitancy on the part of the management and factory owners. As a result of participant observation sessions, it was, however, possible to observe night workers. Night work is performed by either gender and starts at 10 pm and goes up to 6.00 am. The food provided for the night shift is better than that for the day shift. Most of the night workers who were interviewed lived at the factory compound (especially

unmarried workers). Night workers are also paid higher wages. Most, however, appeared very exhausted. Ministry of Manpower regulations limit factories in the performance of night work, especially for women and children. It was, however, found that many women work at night. More than sixty per cent of the respondents had been working the same shift for more than two years.

The age structure of respondents, which emphasises the relatively young age of workers, is presented below:

Table 5
Age group by manufacturing sub-sector (percentage)

Manufacturing sub-sector	15-20	21-25	26-30	31-35	36-40	>	%
Textile	3	35	23	9	16	14	100
Garment	11	47	27	7	4	4	100
Footwear	10	40	29	14	3	4	100

(N = 600)

Meanwhile, the level of education by gender is shown in the following table:

Table 6
Workers' levels of education by gender (percentage)

Level of Education	Male	Female	Percentage
Never go to school	0	1	1
Primary school	4	7	11
Junior high school	11	11	22
Senior high school	36	23	59
University graduate	4	3	7
Total	55	45	100

(N=600).

The respondents' educational attainment, which shows a majority graduated from high school or above (66 per cent), is higher than the national average. Over seventy per cent of the respondents were married workers, however, there is variation among industrial sub-sectors. There is little variation in the age at which workers enter employment. The great majority were aged 15-25, but 41 per cent were between 15-20. Occupation is related to the educational attainment of the individual worker. Ideally, the higher the education, the wider chance one has to obtain a good occupation. Occupational status is also influenced by length of working experience. The findings show that over 90 per cent have over one year's experience, with 30 per cent over five years.

Experience inevitably improves the skills level and hence the possibility of being paid higher. Unfortunately, the existing government minimum wage policy does not indicate different levels of wages, for instance, based on length of experience. Most of the respondents had changed their job in the last five years. The main reason given was to increase work experience, this was probably due to the fact that wages are relatively low compared to other occupations, such as those in electronics companies. Most successful applicants were selected based on their levels of education, which reflects the excess supply of labour. Although labour-market information is available at the local offices of the Ministry of Manpower, the potential workers generally obtained such information from their relatives and friends who already work at the factory.

Only just over a third of the respondents had received training intended to develop skills, while the others had never attended any training at all. The training programmes attended during the field work were limited to selected workers, although

some companies provide training for all workers. The selection of workers to attend training is based on educational attainment and seniority.

When asked how much is spent on food each day, the figure ranged from Rp.1,000 to Rp.3,000. If, however, they buy food at the factory cafeteria, the price is cheaper than if they buy from the *warung*, the small shop which sells ready-made-foods and is available in most places. Some workers stated that expenditure on food accounted for nearly half the daily minimum wage. This figure varies, however, from one industry group to another; it is over 62 per cent in textiles, just below half in garments and slightly over 40 per cent in footwear.

Income clearly has a direct influence on the capability to provide for and meet family needs. If both workers and their partners are in employment, they have a higher family income. Data were collected to examine the correlation between income and expenditure. Ideally, income should be higher than expenditure. Most respondents pointed out that their weekly income is equal to or exceeds the current minimum wages. The daily minimum wage, during the period of the field work, was Rp.5,200. Most workers, however, had the opportunity to work 3-4 hours overtime a day, hence, the weekly income was over Rp.50,000. Making comparisons by industrial group, the following findings emerged. More than seventy per cent of workers in the textile industry received more than the minimum wage, hence, on average, the actual income received exceeds the minimum wage for most respondents. A daily wage system dominates in textiles and footwear. The significance of daily and weekly rates is that they only apply to 26 days of the month while current minimum wage regulation (Ministerial Regulation No. 2 of 1996) stipulate a 30 day month, thus, eliminating the daily, piece rate and weekly wage system. In practice, however, these discriminatory systems still prevail.

The data for industrial groups reveal that more than half the employees in textiles and footwear, compared to a third in the garment sector wanted to work overtime voluntarily. It is fortunate that so many do, as for 90 per cent of workers in the garment and footwear sectors, overtime is an obligation. The management indicated that overtime work is essential to achieving targets but it has to be emphasised that it is not available on a regular basis, thus adversely affecting workers' abilities to effectively budget over short periods. This, also, can clearly adversely affect family welfare.

Because of the fear of loosing their job workers generally accepted to work overtime, although, many pointed out that their physical strength was weakened because of repeatedly working more than 10 hours a day, and that they were often very exhausted. Sometimes, they have to work during the weekend and even on national holidays. The survey results indicate that over 90 per cent of workers work overtime, with nearly half being forced by management to do so simply to achieve current output targets.

Overtime wage rates are usually one and a half times higher than minimum wages when performed during the week, but twice the rate during Sundays and national holidays. The survey findings reveal that the majority of workers received overtime pay in excess of Rp.2,000 an hour. Without overtime earnings the majority of workers would be in extreme financial difficulties. The majority of the respondents indicated that they were not satisfied with the prevailing minimum wage. Although minimum wage rates have increased substantially in the present decade, the current value is still below subsistence level. Most respondents felt that the government should:

- (i) stabilise the price of primary goods, in real terms; and,
- (ii) link minimum wage determination with the prevailing inflation rate, although many argued that all wage increments should exceed the prevailing inflation rate.

While more than 80 per cent appreciated that their wages are paid in accordance with the government minimum wage level, they felt that they should have the opportunity to negotiate with the employers. Most felt that the minimum wage should exceed Rp.7,000. In other words, an increase of 35 per cent was seen to be a justifiable adjustment.

7.3 Job security and workers' rights

Group discussions with the workers often began with the acceptance that levels of employment are generated, by management, in response to customers' orders. Consequently, sometimes, there was no work because of a lack of demand. This was more prevalent at garment factories where it was not uncommon for a factory to be *on stop* for three months on end because of lack of orders. Workers were, however, often paid the basic minimum wage rather than being laid-off despite the fact that, when targets had to be met in a short span of time, employees were expected to work overtime for which they received over-time rates.

Many participants at focus group meetings pointed to the risk they were taking in attending such a meeting. If the employer were to learn of their participation they could lose their jobs. Some felt that there was a great danger, on the part of workers, to join in the discussion. The majority stated that, as long as the moderator guaranteed

confidentiality, they were delighted to attend the meetings and/or interviews, and quite happy to express their genuine feelings of what really happened at the workplace. They hoped that the findings would be concealed from management, especially if such a sensitive issue as setting up a union was discussed. If management were to learn of such activities, most participants feared that they would be laid-off. They pointed out that workers were being laid-off simply because they discussed their demands within the confines of accepted government regulations, for instance on minimum wages. Examples were also quoted of unfounded *lay-off*, for instance, just because a workers' face *did not fit*. Attention was also drawn to the fact that workers are being laid-off because they organise strikes, or even become the representative of the workers and, thus, expect to be able to negotiate with the management.

Participants revealed that no survey of the sort currently being carried out had ever been undertaken before, which accounted for their apprehension about participating. As their current employment was the main source of income for most of them, and that finding another job would be very difficult and time consuming, they were not prepared to take a considerable risk. Consequently, most were fearful of losing their jobs. The moderator guaranteed that this would not happen as no identity would be revealed. Everything would be *concealed*. To ensure this, it was agreed not to use tape recorders during the discussions. Notes were taken, however, and summarised at every meeting. Such a worry can be understood, because workers are in a weak position as a result of the over-supply of manpower and the low skills involved; which implies easy replacement on the part of the employer.

Similar reactions were recorded in a study conducted by Christian Aid in China, the Philippines and Thailand in 1994-1995 which emphasised the point that it is difficult, and maybe even dangerous, for workers to give interviews. A women worker

in a factory producing for Reebok in China alleged that a unit leader had been fired as an example to workers not to talk to outsiders (Brookes and Madden, 1997).

During the observation it was found that, in many factories, there is a system of punishment for transgressions or errors that are considered to be the fault of the workers, although most management respondents denied it. Workers who chat with each other during working hours were fined Rp.500 or even Rp.1,000. Workers stressed that even if they had time to meet each other during working hours, supervisors do not allow them to. Talking, while at the workplace, is prohibited. Such strict regulations in garment factories, for instance, inevitably have an adverse effect on productivity and efficiency. The enforcement of such regulations must adversely affect the potential for developing worker solidarity. Other petty regulations undoubtedly also have detrimental repercussions. For example, in many establishments, if a worker omits to carry his/her roster card when going to the lavatory, there is a fine of Rp.10,000, the money being taken directly out of the worker's wages. Most focus group discussion participants regarded this system of fines as a form of injustice, because all responsibility for errors is placed on them. In reality, many mistakes, for which workers have to take responsibility, are not entirely their own fault. Mistakes may originate in the early stages of the production process, as early as in the planning, distribution of materials and cutting departments. There is no chance to discuss such matters relating to their daily problems. Such situations have prevailed for several years in the garment industry, for instance. Workers are, as a result, afraid of doing something wrong and, even if they have to go to the lavatory, they have to wait until break time. In this context, observation revealed that toilet facilities are generally extremely dirty, thus creating unhealthy conditions. Participants would be pleased to see management improve such facilities bringing workers toilets up to the standard of those which were locked and labelled for the use of *management and staff only*. These

particular complaints are not new. Earlier studies, conducted by Tjandraningsih (1994), of garment factories in Bandung, West Java, and by McKillegen (1989), in Jakarta and its surrounding areas, highlighted similar complaints.

Most respondents pointed out that there is no standard concerning the prevailing punishment system. It depends entirely on factory regulations and/or management prerogative, if there is no collective labour agreement. Law No. 21 of 1954, concerning company regulations, states that such regulations or collective labour agreements are valid, only if registered by the Ministry of Manpower. The registration is given after careful inspection and the decision that such a regulation will give benefit to both parties and will not be contradictory to existing laws and regulations. It is commonly found, however, that such regulations do not necessarily apply at the practical level. It was felt that the government should take immediate action to consider the provision of a standard practice applicable to every factory by promoting an acceptable *code of conduct*.

Production line working demands more or less the same speed from workers in every section if hold-ups in the line are to be avoided. This creates tension for the workers, which in turn leads to feelings of antagonism if one section is thought to be holding up the process. This feeling then affects relationships between workers. There is, therefore, a reduction in mutual solidarity which acts against efforts to promote unity. Such a production process, combined with the adoption of stringent target outputs, involving pay deductions if the target is not achieved, is a clear impediment to attempts to unite workers. Assessment of a worker's achievements, on the basis of ability to reach a target, forces every person involved to strive to reach the target. Reciprocal stress then affects many groups of workers throughout the production line.

There are at least three regulations which guarantee freedom of association for workers which should be applied in every workplace. According to law No. 21, of 1954, which ratified ILO Convention No. 87, a labour agreement is an agreement negotiated by a union or unions, with an employer or an employers' association and registered with the Ministry of Labour. A workers' union or employers' association, entering into a labour agreement, must ensure that its members comply with the regulation. Both workers and employers are obliged to do their utmost to successfully implement it. An employer or employers' association, which is bound by a labour agreement, may not enter into a similar agreement with another labour union wherein the conditions are less than those contained in an existing agreement. Thus, according to this convention, there is a possibility of having more than one union in an establishment. In practice, however, the government stipulates that only one union is allowed to negotiate a collective labour agreement at plant-level.

Secondly, Law No. 18, of 1956, based on ILO ratified convention (No. 98), pertaining to rights to organise and bargain collectively, clearly states that workers must be adequately protected against acts which discriminate against labour unions. Such protection must be provided, in particular against acts aimed at obliging workers to join or to relinquish membership of a particular union, and causing a worker to be disadvantaged as a result of his/her membership of a union.

Thirdly, Law No. 22, of 1957, concerning the settlement of labour disputes, describes a series of alternate solutions to disputes between unions and employers or employers' associations, including direct negotiation, mediation, arbitration and settlement via a Committee of the Settlement of Labour Disputes (P4D-P4P). P4D is a committee based in the province, while P4P is a central committee dealing with

settlement of industrial disputes at the national level. This law guarantees the right to strike if negotiations end in deadlock.

Although it is clear that the right to organise is guaranteed by the existing law, workers still suffer from inadequate agreements, as management, more often than not, ignores the existing regulations. It was observed that the management of a textile factory intervened in union elections. The intervention included providing a venue in a luxurious hotel, paying the expenses and deciding who was to be in charge of the union's structure. Workers representatives were not given a chance to discuss the election in the context of the planning and strategy of the union. Rather, the candidate had been selected in advance, hence the election was no more than a ceremonial event. In this particular instance, most of the time was taken up by a *Karaoke* music performance. When the management was asked why such an important occasion was given over to entertainment rather than to the discussion of matters relevant to the strategy and planning of union activities, it was stated that such discussion was *not necessary*, given that a *pre-election meeting* had decided who was going to lead the union. Clearly, there is a crucial need to protect the rights of workers and recognise what action must be taken if management intervene in union elections in this way.

7.4 Trade unions - are they genuine?

The 1945 Constitution, in particular article 28 and Act No. 18, of 1956, which ratified ILO Convention No. 98, of 1949, guarantees the right of every citizen, including workers, to organise and to protect their ideas in any form of organisation in which they wish to develop a social partnership, either in work or in the community. From a practical point of view it is deemed, however, that freedom of association has

to be in line with the national effort to maintain stability and economic development, as a prerequisite for nation building. As a result, genuine trade unions do not really exist in Indonesia.

The President of FSPSI, Bomer Pasaribu, stated that the current programme of the FSPSI is prioritised in three areas, which are: the enhancing of workers' welfare through creating industrial based-unions; empowering workers to be able to manage their own activities, such as creating income generating activities, co-operatives and family planning; and, promoting the philosophy of corporatism through which employee involvement in the decision-making process within the establishment will be emphasised at every level. He admitted, however, that the plant level union (PUK FSPSI) needs to be developed further in order to meet international standards (*Interview*, December 20, 1995). The available data reveal that, in 1997, there are 12,747 PUK FSPSI at the factory level, of which 10,954 have concluded a collective labour agreement (CLA) (Ministry of Manpower, 1997b:28).

As a result of international pressure from the human rights, especially workers' rights, movement, Indonesia introduced local unions through Ministerial Regulation No. 2 of 1994. This called for the setting up of an SPTP (factory-based trade union) at every plant, but this has yet to be implemented, although the available data at the Ministry of Manpower revealed that there are 1,400 SPTPs of which 733 have concluded a collective labour agreement (CLA). No research has been undertaken to see if this model is applicable. Sydney Jones of the Human Rights Watch, based in Hong Kong, observed, in 1997, that the government of Indonesia continues to maintain tight control over freedom of association, with only one officially recognised trade union federation, the FSPSI. On the subject of factory-based trade unions, he stated that:

A Ministerial regulation issued in early 1994 did allow workers to organise plant-level unions for collective bargaining; if they sought to federate with other workers beyond the plant, however, they could only do so through the official union. Currently, the government claim that over 1.200 plant-level agreements have been reached on the plant-level unions (SPTP), although a list of these plant levels unions is not available.

He explained that there is no doubt that a few of these agreements are genuine, however, some appear to have been effectively designed and drafted by management without genuine inputs from the workers side. The present field work revealed that some plant level unions have emerged, particularly in textile factories. The local Ministry of Manpower claim that at least 30 plant level unions have been set up in Tangerang, but none of the workers participating in the discussion groups had any knowledge of even one of the thirty. Meanwhile, the head of the local Ministry, Engkos Kosim, explained that factory-based trade unions are encouraged to develop their own activities and to set up collective labour agreements at plant-level, without interference from the local authorities. In doing so, they should, however, always be affiliated to the FSPSI (Interview, on 21 February 1996).

The findings of the questionnaire survey indicate that, of the 600 respondents, 68 per cent were unionised, while the rest were not. Over 50 per cent of union members were aged 20-25 indicating the appeal of unionisation to youth. Again, 71 per cent of members had graduated from high school or higher education, and 73 per cent were married. Of those belonging to a union, 16 per cent were in textiles, 38 per cent in garments and 45 per cent from footwear industries, 99 per cent were affiliated to the FSPSI.

Only four respondents stated that they were not affiliated to the FSPSI, but they did not indicate where their affiliation lay. They were, quite probably, associated

with SBSI, but they did not mention it, being fearful of the consequences as SBSI is not recognised by the government, and most of its activists are under government observation. During the field work, the researcher had the opportunity, however, to observe two cases of settlement of labour disputes assisted by the SBSI activist. One of the cases involved eight workers threatened to be laid off because they did not work for one day when they were trying to obtain assistance from the local Ministry of Manpower with the intention of forming a union. But this assistance was not obtained. In front of the Ministry office, they were met by activists of SBSI who offered assistance, stating that they might be able to solve the problem within a week. Following a period of discussion between the SBSI activists and the personnel manager (attended by the research team), the eight workers were reinstated. This positive impact on the part of the SBSI may be attributed to the presence of the research team, which may have influenced management to seek to comply with existing regulations. Of the respondents in the survey who belonged to a union (PUK - plant level unit of the FSPSI), 75 percent were satisfied with their union's leaders at factory level and 77 per cent appreciated the performance made by the national leaders of FSPSI.

Table 7

Anticipated advantage and disadvantage of union's membership

Advantages	Percentage (70)	Disadvantages	Percentage (30)
Improve working condition & environment	21	Have to pay dues	23
Improve incomes	16	Often dysfunctional	33
Improve worker's welfare	33	Intervention from "outsiders"	27
Improve industrial relations	19	Often undemocratic	7
Others	11	Other reasons	10
Total	100	Total	100

(N = 408).

(N=123)

A comparison, among those workers with and without a union, on their impressions of workers' welfare is presented in the following table.

Table 8
Specific advantages perceived by respondents

No.	Advantages	Union Members	Non-Union Members
1.	Stable industrial relations	67	37
2.	Receiving minimum wage	92	71
3.	Satisfied with the minimum wage	45	14
4.	Participation in <i>Jamsostek</i> programme	95	56
5.	Join <i>Arisan</i> (Revolving savings)	54	34
6.	Participation in Co-operatives	79	10
7.	Workplace health services	91	37
8.	Awareness of "small family concept"	91	76
9.	Family planning acceptors	70	66
10.	Companies subsidy on recreation	36	8
11.	Recreational programme	69	29
12.	Sport facilities	86	26
13.	Understanding to PIR system	98	95
14.	Effectiveness of PIR system	74	35
15.	Consultation to reach consensus (PIR)	88	58
16.	Partnership in PIR system	86	74

There are noticeable differences in advantages, attitudes and outlook of those respondents who belonged to unions and those who did not. Whether these can all be directly attributed to union membership cannot be proven, but the differences are worth noting.

Table 8 shows a number of different welfare attributes possessed by workers. The first column in the table shows the percentage with respect to union members covered, and the second shows the percentage relating to non-union respondents in the survey. In all cases the percentage figure in the first column exceeds that in the second.

The first 12 attributes can be regarded as having a positive effect on employees, hence union membership can be interpreted as being an advantage and, in all probability, union membership has influenced the development of a more positive outlook.

Clearly unions lead to more stable industrial relations at the workplace (67 per cent compared with 37 per cent), and it is interesting that just over two third of union members consider themselves to be in a stable industrial relations environment.

The percentage receiving a minimum wage is much higher than those enjoying a stable environment, for both union and non-union members, but the difference between the two groups (92 per cent to 71 per cent) suggests a clear advantage for union membership. While less than half in both categories are content with the prevailing minimum wage level, it is interesting to see that the degree of discontent is greater within the non-unionised group, the percentage of content in the union category being more than three times that in the non-union column (45 per cent against 14 per cent).

Almost all union members participate in the *Jamsostek* programme but just over half of the non-union respondents do so. While just over half of union members participate in an *Arisan* scheme, only a third of non-union members do so, but the biggest difference concerns participation in co-operative programmes; 79 per cent of union members do so while only 10 per cent of non-union members belong to co-operatives.

One important conclusion that can be formed from these three sets of data is that union members, when compared with non-union colleagues, either are more concerned about planning for their future or have greater opportunity to do so through

Jamsostek and *Arisan* programmes. Similarly, they make better use of their available financial resources by utilising co-operative outlets.

Similar differences between the two groups may be observed in terms of the availability and use of plant level health and family planning services. Although the percentage of non-union members aware of the small family norm concept and actually practising family planning (76 per cent and 66 per cent respectively) is significantly higher than the percentage having access to a plant level health programme (37 per cent), which indicates the impact of the BKKBN *national* population programme.

Company based recreation and sports facilities would seem to be very much influenced by union membership and suggest that the provision of such facilities and the willingness to recognise a union go hand-in-hand.

The final set of attributes relate to respondents' reactions to the PIR system. Almost all, regardless of membership or not, believe in the relevance of the system, although the level of understanding is much lower (74 per cent : 35 per cent) and there is a big difference between members and non-members which again suggests that there is an informal educational role being provided through union membership.

Most participants of the group meetings were not aware of the relevant requirements and actions involved in setting up a factory union. Basically, they did not have access to information on what to do if they encountered problems with management. When problems arose, action was usually limited to a visit to the district Ministry of Manpower or the branch office of the FSPSI to seek assistance. But this was only done on an ad hoc basis. There was no opportunity for discussion with their colleagues on subjects related to their future industrial lives on any continuous basis or

the opportunity to discuss matters in order to prevent any breakdown in relationships, not even a simple leaflet or newsletter. To some extent, this was due to the strict rules which forbade inter-personal communication during working hours.

At meetings with local the FSPSI officers, workers were normally given information regarding how to set up a union at the factory level. Once they agreed amongst themselves on what type of union was desired, industrial relations officers of the FSPSI readily offered assistance at the request of the workers. Discussion was, however, limited to the role and function of a union, and what requirements were necessary to conform with the basic provisions as stipulated by law. On several occasions, the focus group participants discussed how to make practical use of law No. 18, of 1956, concerning their rights to organise and bargain collectively. They requested practical guidance on how the law can be operated within their factories to provide protection under the existing regulations.

If a union is to be established, a small group of workers has to initiate the action and inform colleagues of the advantages and disadvantages to be gained from unionisation. This should be in the tradition where workers were accustomed to such activities so that all workers would benefit. In most cases, however, members of such groups will be at risk if management does not welcome a union. Workers advocated that everybody should be in favour and any innovation should not hurt anyone's feelings, especially those of management and employers. This is the concept of mutual understanding and co-operation in Indonesian culture which seems to be the synthesis of the industrial relations system. But, while workers do not wish to antagonise management, in most cases, management still dominates every discussion.

Within this topic of discussion, it was possible to explain and talk informally, regarding the need to avoid misunderstandings among workers and management with respect to government laws and regulations. For instance, workers were fully aware that the basic concept of maintaining industrial peace is through improving better relations with management. This can only be done if workers and management both have a positive attitude on how such relationships can best be obtained.

Specific examples may be quoted to illustrate this point. At a garment factory, workers were anxious to set up a union. After receiving the necessary information, three members went to meet the FSPSI district officers, informing them that there was no union at their factory. They were given guidance on how to set one up. After discussion among their colleagues, they decided to establish a union. They informed the management only during the inaugural ceremony, thus avoiding any chance of refusal on the part of the management.

At another garment factory, workers explained that a union was established in 1989, however, none of the leaders was currently active in promoting its original goals. It was claimed that while the union leaders had attended training seminars on industrial relations, conducted by the local Ministry of Manpower together with the FSPSI, they never passed on the knowledge gained to other colleagues. Such a development would have increased the knowledge of fellow workers and may well have prevented the inactivity which is now evident. It is felt that management may be behind this lack of activity. This is neither an isolated incident, nor is the element of suspicion unfounded.

In numerous factories where unions had been established, participants pointed to the fact that, often, there was inconsistency on the part of union leaders. At the time

they were elected, they promised to protect workers' interests, but, once were elected, they become concerned with the interests of management, because they were often promoted by management, normally from ordinary production line operator to that of supervisor. This point arose in most of the groups meetings. On the other hand, in factories where unions did not exist it was difficult to identify and encourage workers to act as representatives of their colleagues to talk to management. No one was prepared to initiate a union. This was mainly because of previous experience where *activists* quickly become regarded as *trouble makers*, especially where management did not welcome unionisation.

In a group meeting, at a textile factory, workers saw no point in setting up a union, because they already have good relations with management. Such an action, they claimed, could only antagonise the management which is known to be reluctant to deal with a union. This could well create industrial disturbances and disrupt a prevailing positive situation. The main point, however, was that management at this factory provides an adequate welfare programme, including many positive features such as providing good and healthy foods, clean toilet facilities for everybody, transportation, medical services, a mosque, and a co-operative selling foods and other primary goods. In addition, the total incomes covered were well above the existing minimum wage level.

In another case, although the management provided excellent welfare facilities and paid incomes in excess of the prevailing minimum levels, employees persuaded management to allow them to establish a union, based on the argument that such a change would be of benefit to management as well as the workers. Eventually, the management agreed to have a union set up within the factory, being convinced of the

advantages to be gained by dealing with the work force through a union rather than on a *one-to-one* basis.

7.5 Low standard of bargaining position

The weakness of employees may be attributed to three factors: firstly, the low-level of educational attainment of the majority of the workforce; secondly, the relatively young age of the labour force; and, thirdly, the inexperience of the workers in formal organisation situations, such as on union's activities. This is accentuated by the fact that unemployment is relatively high, hence, employers can easily terminate activists. According to Thomason (1984:80) collective bargaining is defined as a method of resolving conflicts which is characterised by its involvement of at least two opposed parties who have a different (even opposed) interest in the outcome of the decision, but *who come together voluntarily* to decide matters of concern in the belief that by so doing they *can achieve more than if they remained separate*.

Thomason (1984:314) further stated that:

.....bargaining tends to take widely-recognised individual and collective forms. These two methods, of individual and collective bargaining have been the ones which, at different times, and in different combinations at any one point in time, have been relied upon to mitigate the exigencies of the forces of the market as they impinge upon any specific labour market. They ensure that the necessary decisions are taken and that business proceeds even when the conditions for the free and perfect market do not obtain.

In the Indonesian context, collective bargaining was introduced to facilitate collective means of determining labour contracts, although individual contracts also exist, such as in the informal sector among domestic workers. Genuine bargaining

seldom takes place, however, due to the fact that unions are too weak, a large reservoir of unemployment exists, and the present government only tolerates a single union federation. The result of the questionnaire survey for workers shows that 68 per cent of respondents were unionised, thus they have the chance to negotiate a collective labour agreement (CLA) relating to terms and conditions of employment. CLAs, however, only apply in companies employing 25 workers or more. (Consequently) more than 75 per cent of enterprises, are excluded from the legislation. In addition, organised public sector enterprises, which employ almost one third of the organised sector workforce, are not subject to collective labour agreements.

The survey found that when the number of unionised workers and the existence of CLAs are compared, the result is very significant, suggesting that more than 80 per cent already had a CLA. Those with an agreement were mostly satisfied with their employment situation, as indicated by 75 per cent of the respondents while 74 per cent acknowledged that they were in a stable employment situation. When problems exist at the workplace, 59 per cent of workers in companies with a CLA discuss the relevant matters with their supervisor, while a further 31 per cent talk to colleagues. If the problem cannot be solved between workers and management, 88 per cent of employees, covered by a CLA, indicated that discussion passed to mediators from the local Ministry of Manpower.

Companies with a CLA also tend to set up bipartite bodies at the workplace, indicated by 58 per cent of the respondents in this category. This is a significant figure compared to those without a CLA. When asked how was the negotiation process was undertaken, respondents with a CLA emphasised that mutual understanding, brotherhood and deliberation to reach consensus was appreciated by both parties concerned. Over half those interviewed appreciated this concept. In companies with a

CLA, management participation is not limited to providing rooms and easy access to enable the process of negotiation to run smoothly. They also provide workers' representatives with such amenities as transport, meals and even financial allowances. Workers in companies with a CLA preferred to have welfare improvement (49 per cent) as the main union function, compared to 25 per cent wishing to see an improvement in industrial relations and only 11 per cent wishing to experience an improvement in income. This break-down is quite revealing in terms of the desires of union members. It was also observed that unions, in a plant with a CLA, conduct meetings more frequently than those without a CLA. In a majority of cases, union meetings were held on a weekly basis. The survey results suggest that there is a positive impact regarding collective labour agreements on wages. Companies with a CLA tend to pay more, compared to those without a LA. For instance, in companies with a CLA, workers are paid more than Rp.30,000 a week as a basic wage, compared with less in companies with no CLA. This suggests that awareness on the part of management is better in companies with a CLA. The survey results also suggest that companies with a CLA tend to provide better welfare services at the plant level. For instance, 82 per cent of employees in plants with a CLA have access to a co-operative, 90 per cent have sports programmes, 74 per cent have access to recreational activities, 71 per cent have access to company health and family planning programmes, and 95 per cent participate in the *Jamsostek* programme.

While the survey indicates that welfare services are provided in companies with or without a collective labour agreement, such services are more common in those with a CLA. In many multi-national enterprises, for instance, management are reluctant to set up a union, thus neglecting the function of a CLA. But in most of these cases, welfare services become an alternative to setting up a union, thus partially avoiding the possibility of having to discuss a CLA. This condition prevails in many of the multi-

national enterprises, especially those of Asian investors, who are mainly Taiwanese and Korean. It must be said that the government, due to its high commitment to provide attractive investment conditions for multi-nationals, is not prepared to tackle the problem.

Although the Ministerial Regulation of 1988 clearly states that a collective labour agreement should contain the provision for a welfare programme, especially health and family planning, CLA stipulations regarding the provision of welfare programmes remain under implemented, despite efforts on the part of the unions. In some enterprises, welfare provisions are included in the CLA just to comply with legal provisions because, otherwise, the CLA would not be registered at the Ministry of Manpower, but in reality, in these situations, implementation is another matter.

It was observed that the negotiation process of setting up a collective labour agreement at the factory level was very much in accordance with the concept of partnership, emphasised in the *Pancasila* industrial relations system. The main actors were the union leader, on behalf of the employees, with management being represented by the personnel manager and other related staff. Most workers were satisfied with the points made during the negotiations. Such points emphasise the wage system, working conditions and environment, as well as facilities that could be enjoyed by workers during their employment. There were, however, two instances worthy of mention drawn to the attention of the researcher; one at a garment factory and the other at a textile factory. The problem at the garment factory concerned the signing of the agreement. After finalising negotiations on terms and conditions of employment, workers had to wait up to six months for the agreement to come into force because management was waiting for approval from the local authority. The significant point is that workers really want to enforce such an agreement without delay while

management insist on getting the agreement formally approved and signed. According to the regulation (Law No. 21, of 1954), a collective labour agreement should be registered at the district Ministry of Manpower, but most companies wish to invite a high ranking ministry official to sign the document at a spectacular ceremony, which generates much publicity. The preferred scenario for the minister, accompanied by other high ranking officials, to undertake this task. This, however, can involve a long wait. The situation is not only time wasting, but also costs money. Most of the workers interviewed felt that such a ceremonial event is not important, what should be prioritised is the implementation of the agreement. Workers do not approve of ceremonial events and recommend that a CLA be signed as soon as negotiations come to an end. The task could be undertaken by a local industrial relations officer and/or labour inspector, which would be in accordance with the relevant regulations.

At a textiles factory, the employees, at the time of negotiation, had requested an increase in the annual bonus. The management refused, ostensibly because such an increment had been made in the previous CLA. The negotiation ended in deadlock, and the workers went on strike for one day. The management then agreed to the request. This indicates that workers want to discuss firmly through the process of partnership in order to reach a genuine consensus, but often management is resistant and in consequence forces employees to take up a position of conflict before finally agreeing to consider and then accept the claims of the workers. They fail to see that there is an adverse cost element involved, in that production is lost during the period of a strike. In an interview with the Director General of Industrial Relations and Labour Standards, on 10 December 1995, D G Suwanto revealed that he failed to understand why, so often, management should wait until workers went on strike if, all along, they were capable of improving the welfare of their workers. Indonesian culture and traditional values postulate that conflict should be avoided in order to maintain an

harmonious relationship. He urged, therefore, that management to provide for and participate in an adequate negotiation process aimed at achieving mutual understanding so that both parties could benefit from the achievement of the enterprises.

7.6 Expressing demands through industrial action

Indonesia has experienced a significant increase in strikes and industrial action during the present decade. Strikes are common nowadays especially in manufacturing establishments and particularly in multi-national enterprises. The survey data shows that as many as 72 per cent of the respondents stated that strikes had occurred at their workplace over the past 10 years with the major issues being :

- (i) demand for implementation of a minimum wage;
- (ii) *Jamsostek* (social security) membership;
- (iii) a desire to set up a union; and,
- (iv) desire to obtain transport and food allowances.

During the field work it was observed that strikes sometimes happen as an act of solidarity, especially if colleagues have had their employment unjustifiably terminated. Others occurred to demand specific needs such as transport and meal allowances, and requests for wages above the minimum level. One type of strike seeks compliance with existing laws and regulations. These involve such matters as minimum wages, membership of *Jamsostek* (social security) and the wish to establish a union. The other type are those which are of concern to the workers and involve issues which are not covered by existing regulations. Basically, welfare requirements fall into the

latter category as they are not deemed to be the employer's responsibility, since there is no existing regulation which makes them obligatory.

Jones (1997) points out that many of the labour disputes that have taken place in Indonesia in the last few years have been about wages and the Indonesian government has tried to be responsive by making major increases in the minimum wage level. In most cases, however, the minimum wage remains below the level considered a *living* wage, sufficient to cover basic physical needs. In addition, compliance with the minimum wage level is poorly enforced, while many companies, including Asian investors producing footwear and garments for American multinational concerns, have been exempt from paying it. Despite these weaknesses, there is no question that the increase over the last two years has been fairly dramatic. The underlying problem is that, as long as there is no genuine freedom of association, and as long as workers believe that they have no effective way to determine how wage levels are established, the protests are likely to continue.

Strikes in Indonesia are illegal or, in Western terminology, *unofficial*. Factory-based unions, or other workers' representatives, never request pre-approval from the authorities. As a result, security officers (police and military forces) with or without notice are always present. Interviews with these officers revealed that in their view, their presence was merely to control the situation so as to limit disruption and prevent violence, for instance burning a factory compound, but excessive repressive action was generally taken, even when strikers were just walking down a street to meet local government officials.

In most cases, the role of factory-unit (PUK) of FSPSI officials during a strike was not solely as the workers' representative but also as a *moderator*. It was observed

that many of the PUK FSPSI staff were extremely close to the management. In some cases, they did not even talk to workers, and were regarded by the majority of workers as the *kepanjangan tangan* (invisible hand) of the employers. During the strikes, workers shouted *PUK mandul* (infertile union), and/or *Serikat Buruh Sabun* (Soap Union). Communication between workers and union leaders rarely took place. In some respects, union leaders are unable to talk to ordinary workers, being trapped within the existing laws and regulations which legitimise management's prerogative right to consult or not.

In a situation where workers and management cannot reach an agreement, either side is entitled to seek assistance from labour inspectors and industrial relations officers acting as mediators. Normally these officers are present at the request of management, but sometimes from the workers too in order to mediate a conflict. Interviews with these officers revealed that they see their function as more than consulting with and advising each party in order to reach an agreement. They also emphasised their mediation role seeking to settle the matter as quickly as possible in order to guarantee industrial stability in the region. Usually, workers were represented by PUK FSPSI leaders rather than their own representative in the negotiation process.

A recent review of major strikes (1992-1993), which took place in Jakarta and the surrounding area, including Tangerang, concluded that workers generally select a representative other than a local union leader as their spokes-person as they feel the local leadership does not, for a variety of reasons represent their interests (Prisma, No. 1, of 1994). It was observed, during this study, that when workers were not satisfied they turned to local and national politicians, *Komnas HAM* (National Commission on Human Rights) and other relevant NGOs to seek assistance, rather than rely on officers of the Ministry of Manpower or the union leaders. This is an

indication that workers' solidarity is not only being strengthened but also being broadened in their search to meet their basic demands.

An analysis of strikes as part of this study (September 1995 to March 1996) shows that over 80 per cent could be described as normative. At manufacturing establishments, especially in Tangerang, the objectives of the strikes ranged from improvement of wages, membership of *Jamsostek* (social security) and welfare facilities (food, canteen, praying room, footwear, and transport). The analysis confirms that the major attention of workers was a need for an improvement of welfare services, which includes wage issues (85 per cent), and the establishment of co-operatives and housing facilities (15 per cent).

During the field work, strikes often occurred which in the words of the workers, were no more than a demonstration. These could happen for a simple reason, such as asking for a salary slip and being refused, but more often than not the prime issues were: wage-payments that were being delayed; solidarity with colleagues who were being laid-off; dissatisfaction with the personnel manager; or, a request for one or more of a variety of welfare services. The following responses were obtained from workers, the majority of which indicate the intolerable situation prevailing at the workplace.

Saget (30, male), graduated from high school and has worked at a garment factory for three years. He is a family man with two children. To begin with, Saget explained that, in October 1994, the company had run out of orders. Since then, the only work was to finish up the outstanding orders. This was completed by January 1995. Since then workers went to the factory each day to sign the absenteeism list without doing any work. For this the company paid a half day wage. But those who do

not sign, did not receive anything. Two months later, the company offered a redundancy compensation, of Rp.250,000, equal to two months basic wages. For those with less than three years experience most agreed the offer, but those with over three years experience refused, and this led to the current strike. Saget and others represented their 106 colleagues to discuss the matter with the employer, but no satisfactory decision was reached. Saget explained that according to the Ministry of Manpower Regulation, those with more than three years service, should be given eight months rather than two months compensation. Saget believed that without a strike the demand would never have been met. Supporting Saget's argument, Nahwati (33, female), also a high school graduate with 4 years service, emphasised the point that, although she has been a member of the *Jamsostek* programme, paying a monthly contribution of Rp.600 which was deducted directly from her wages, she has never received a Jamsostek membership card. Hence, she would have difficulty in claiming compensation if she were to be laid-off.

Sentot (25, male) graduated from high school and works in a footwear factory. He went on strike as an act of solidarity for eight friends being laid-off for conducting a *demo*. Sentot and 5 other workers lead the supporting strike which involved 500 workers. They went on a *long march* from the factory to the local parliament. Sentot explained that all the employees from the factory joined this long march. During the event, the slogans were: *FSPSI tidak bisa kerja dipecat* (unions' leaders who can't work should resign), and *pengusaha harus menghargai hak-hak buruh* (employers should appreciate workers' rights). Although the prime issue was unfair treatment by the management, the opportunity was taken to raise other grievances. Primarily, these were: changing the content of CLA provisions without consulting with the employees; the demand for annual incentives; and, a demand that workers with more than five years service should be paid a rate higher than the minimum wage.

The personnel manager of the factory put forward the company case:

“We do not know what to do. We have already agreed to comply with the UMR (Regional Minimum Wage) policy but workers are still not happy with it, they requested higher than the minimum wage, something that can’t be afforded. As you can see today, they make a disruption, at least two Satpam (factory security officers) are attacked by the strikers and had to be hospitalised, they almost burn the factory, they throw stones at the building which ruined our meeting room, they destroyed company cars and a Minibus belonging to Mr. Engkos Kosim, the Head of the Local Ministry of Manpower. The disruption may be attributed to dissatisfaction with the local Ministry of Manpower. We promise to discuss *upah sundulan* (higher than minimum wage) but they can’t wait until the Board of Directors decide next week. We are grateful to the security officers who arrived just on time, before more brutal actions were carried out”.

An experienced employee, Kemis (23, male) responded and emphasised the workers position:

“The company is not fair. They do not want to discuss the worker’s demands. They pay wages to senior workers equal to that paid to new workers. What we want is to have a reasonable wage with a differential between new and experienced workers. Our action today is to obtain fairness within the wage system. Because there is no fairness, we want to go on strike, but we also regret the action today. Actually strikers did not want to make a disruption, but because there is no fair negotiation, there is no choice, we had to make our position clear to enable management to respect our rights. We threw stones at the meeting room, because management were meeting there with the representatives of the FSPSI and the local Ministry of Manpower but they neglect us. We think, why do they discuss our rights without our presence?. We respect the Satpam job, because they are actually our colleagues, but what they have done today is in the management’s interest, we do not want to be stopped among ourselves. About the burning of vehicles, it was an impulsive action that we could not stop; it was an accident, we did not mean of it”.

Ironically, after 5 hours consultation, the employers agreed to the following:

- (i) the 8 workers who were fired would be re-hired;
- (ii) the original CLA would be implemented as agreed;

- (iii) the amount of THR (religious compensation equal to one months salary) would be paid according to length of service; and,
- (iv) the payment of a rate higher than the minimum wage would be decided at a board of directors meeting to be held during the following week.

Two points emerged from the above observation and comments. Firstly, the demonstration developed and grew in terms both of demands and the degree of unintended violence and disruption, but, perhaps of greater significance, is the second point which is that after five hours disruption, management agreed to all the demands of the employees.

Many strikes are related to the non-payment of wages and allowances such as *Lebaran Day*. While observing a strike at a garment factory, owned by foreign investors, Sumiati (23, female) a graduate from high school, explained that the strike was based on the factual issue that the company did not pay wages during January and February and give the conventional bonus for *Lebaran Day*, equal to one month's pay. Sunarti explained that:

“We just want our wages, that is all. I think if you are in my position, you'd also be worried, *Lebaran* is just next week, but we have nothing to bring back home. The company always delay in paying wages and incentives, although we have to work hard, every day on overtime work. Management always makes a promise, but they never keep their word. They forbid us to use Moslem dresses. That is why we have no more patience and go on strike today. The strike would not take place if management could be trusted. Actually, workers are very patient in waiting for their wages to be paid”.

Sumiati emphasised that, because the management always want to delay such payments, disruption cannot in the end be avoided. She refused to use the word *mogok*

which literally means *strike*. The word she used was *demo*. Most workers in Tangerang feel that the word *strike* is too negative and refers to a long lasting action whereas *demo* implies a short period of disruption which has an impact on management in that it affects production and generally brings results.

Another *demo* arising from the non-payment of overtime wages was observed at another garment factory. Sugito (27, male) a graduate from high school, explained that:

“About 30 of us had to go on strike today, because the company has not paid overtime wages for the last four years. We had been paid only half of the monthly wage; while the salary slip stated Rp.242.000, we only received Rp.148.000. Before we went on strike, we had tried to discuss the situation with the management, but found no positive response. Why should we work hard, sometimes more than 12 hours a day, if the overtime wage is not received?”

Sugito mentioned that the company, which produces leather jackets, always requests workers to work overtime in order to reach the target and, if any disobey, the company will lay them off. Workers have had to work on Sundays and national holidays too. Every day, those on the morning shift have had to work from 8.00 to about 19.00. After 7 hours, wages should be calculated at the overtime rate, but the company has never done it. Actually, Sugito and others want to quit the job, but there are no other jobs available. Although, they are depressed, they have to remain in the factory, just to survive.

The duration of a *demo* is short, generally less than one day, as explained by Arman (23, male), a graduate from high school, who works in a textile factory:

“our strike today lasted just 6 hours. We went back to work after the management agreed with our requests, which were to : provide lunch or a money

allowance (Rp.750) each day, pay a transport allowance (Rp.500 a day) and to build a "mosque" within the factory compound. This made us delighted that the management responded very positively to our demand. In addition, our request for different levels of wages between new and experienced workers will also be considered by the company and will be introduced next month".

Arman went on to say that all workers are happy to work in this factory, but sometimes the company does not care about their welfare. To meet their demands for improving welfare services, it had become necessary to stop work and demonstrate.

While specific causal factors may vary, most strikes observed had a monetary factor involved, be it differential wages rates, the non-payment of minimum wage levels or the with-holding of allowances. In many cases the company could be accused of sharp practice or even dishonesty as the following examples illustrate:

*the salary slip stated Rp.242,000, the cash received totalled only Rp.148,000;
we have received nothing for the last three months;
we receive Rp.115,000 a month, while the minimum wage is Rp.138,000;
and,
the wages are always delayed".*

Sometimes, however, the prime issue could be as simple as asking for a salary slip which had never been supplied by the management. Workers, want to know the amount of their actual wage, overtime wage and other remuneration that could be calculated monthly.

Workers are in a very weak position for a number of reasons, the most important of which is the excess supply of labour, but the union does not help much, leaving the workers to struggle as best they can. It is clear, that workers are forced to

take direct action, in some cases simply to ensure that government regulations are implemented. What does, however, emerge from the observations at Tangerang is that, more often than not, management ultimately agrees to the demands being made.

7.7 Creating stable worker/management relations

Consultation to reach consensus, as foreseen in the PIR system, is generally acceptable. Although grievances occur at the workplace, the system is considered to be a fundamental approach which should be institutionalised. Unionisation is not, however, seen as the only option to safeguard and develop workers' welfare. Traditional informal gatherings, frequently conducted by workers such as *Paguyuban* and *Arisan* have a significant contribution to make.

The general findings of the survey reveal that industrial relations were more stable in textiles factories, compared to those producing garments and footwear. As many as 72 per cent of employees in textiles factories reported working in a stable environment, compared with 53 per cent and 62 per cent in the other sub-sectors.

Again, 72 per cent of workers in factories with stable industrial relations were able to participate in plant-level family planning programmes, while as many as 58 per cent had access to plant-level clinic facilities, and over 90 per cent accepted the concept of the small family norm, against 85 per cent in *none-stable* factories. In *stable* companies, 84 per cent stated that company-funded sports and recreational facilities were available, and 73 per cent had access to co-operatives in such factories compared with just 60 per cent in all other factories.

Stable relations, here, refers to a situation where, in the last five years, there has been no strike or demonstration in a particular company. Unions were more likely to exist in companies with stable industrial relations; 89 per cent of workers in such companies, compared with 68 per cent as a whole, although only 87 per cent were union members. Of those who were not members, 97 per cent were prepared to join a union, indicating a high commitment to unionisation. On the assessment of union leadership, over 80 per cent in companies with stable industrial relations were satisfied with the effort made by the leaders, against 60 per cent of those in relatively unstable companies. On the subject of union elections, over 70 per cent of union officers were elected by all workers in companies with relatively stable industrial relations, with over 70 per cent of the respondents stating that union leaders were already maximising their efforts, against just half that number in relatively unstable companies. Thus, the greater the effort made by a union leader, the better conditions could be expected. In this category, 57 per cent appreciated the efforts made by the national FSPSI leaders.

Over 80 per cent of the respondents in stable companies were familiar with the *Pancasila* industrial relations (PIR) system, compared with only 47 per cent in non stable enterprises. Meanwhile, the system of consultation to reach consensus is also preferred in relatively stable companies, with over 97 per cent replying affirmatively. There was a slightly lower response on the effectiveness of PIR (92 per cent), against 68 per cent. In regard to partnership in the PIR system, 68 per cent believed that it could work with respect to problem solving assistance, offered by industrial relations and labour inspectors from the local Ministry of Manpower; 80 per cent of respondents in stable companies thought they received adequate services, against 54 per cent in unstable companies. Meanwhile, 84 per cent of respondents in stable companies claimed that collective labour agreements had already been set up, against 54 per cent in the other category. During the interviews and focus group discussions,

all workers emphasised that they consider stable workplace relations with management to be a very important prerequisite to enhance welfare programmes.

The above findings suggest that industrial relations stability is related to the efforts made by both employees and management, with regard to the improvement of working conditions, wage rates and welfare facilities. The more the facilities offered by the companies in involving workers to develop the environment, the better results can be expected. In this respect, the government has two roles, first to facilitate and then to promote more stable conditions which will have a positive impact on workers' standards of living and, consequently, improve industrial productivity.

7.8 Summary

This chapter has described the situation of the workers at the workplace, where they appear to be relatively powerless, as the existing unions are ineffectual in defending the interests of their members. The direct observation of several strikes, revealed that, despite the existence of a plant union, workers had to appoint representative from amongst their own number as well as seek out alternative solutions, through local government, parliamentary, and national human rights commission members. Another shortcoming was the fact that working conditions remain unsatisfactory.

Although provision is now in place to allow the creation of independent plant-level unions, not necessarily affiliated to the FSPSI, there was little indication of their existence. Nevertheless, there is prospect of developing a genuine trade union at the plant level through the SPTP regulation.

CHAPTER EIGHT

WORKERS' DEMANDS AND WORKPLACE WELFARE PROGRAMMES

8.1 Introduction

This chapter is based on the assumption that if workers can obtain access to their daily needs, such as transport, food, accomodation and relatively stable family relationships, this would improve industrial relations at the workplace. Support is needed from the company to provide such facilities at the workplace and/or at the workers' living environment. Such facilities will benefit not only the employees but also the company, as productivity is likely to be improved, hence, profits can increase.

In this chapter, a number of distinct issues are examined. The first section considers the minimum wage as stipulated by government regulation (which is still below subsistence level, despite numerous increases in recent years). This leads to a discussion of the connection between the minimum wage level and the ability to meet the daily needs of workers' families. After presenting a discussion with regard to wage increments, the chapter goes on to analyse the problems of transport; an expense which involves many workers in spending more than ten per cent of their daily wage in getting to and from their workplace. This is followed by a consideration of the impact of the provision of sports and recreational facilities and other welfare-related programmes such as co-operatives and *Jamsostek* membership. The importance of health and family planning service provision in the organised sector is then looked at in the context of the survey results which suggest that family planning can have a direct impact on industrial relations, since the provision of such services can reduce the

ultimate number of children and hence the incidence of family problems, thereby increasing productivity. Finally, the fact that 98 per cent of respondents were in favour of consultation to reach consensus through the PIR system is examined as potential a new approach to better industrial relations.

8.2 Minimum wages in relation to basic needs

The former general chairman (1973-1985) of the FSPSI, Agus Sudono (1985) proposed a formula for the distribution of profits made by Indonesian industry. This was 40 per cent for the owners of the enterprises, thirty per cent for re-investment and another thirty per cent to be ploughed back for workers' welfare. This produced a heated debate with the business sector putting forward a different formula: 40 per cent for the owner of the enterprise, forty-five per cent for re-investment and fifteen per cent for workers' welfare. So far the debate is deadlocked, and no attempt has yet been made by any *neutral* institution to reconcile these two positions, where the sphere of *conflict* is the respective allocations to re-investment and workers' welfare.

Several micro studies have been undertaken (Tjandraningsih 1993, Thamrin 1993) which indicate that wage differentiation occurs in labour intensive industries, especially between skilled and non-skilled workers. In some cases, the cause may be attributed to personal kinship with managers/supervisors or other non-economic and non-technical reasons. Wage differences may often be observed between workers with similar experience and job specifications, the important factors being that some, are *obedient* to company regulations while others *offend* according to the factory's arbitrary standards.

The survey data produced by the present study indicate no differentiation of wages based on gender, skills level or work experience, most respondents being paid the government minimum wage (over 90 per cent).

Those interviewed, however, advocated differential wage rates based on experience. For this reason, numerous strikes have occurred seeking appropriate returns determined by length of employment for those employed for two years or more. As most respondents had over three years experience (68 percent), there is an urgent need to set up a regulation for this group of workers. Those employees interviewed maintained that daily and weekly wages are established in order to easily terminate workers, in the event of a reduction in international orders.

The present Minister of Manpower, Abdul Latief, introduced a series of measures between 1993 and 1997 to strengthen the position of workers. These included improved welfare services and increased minimum wages, the ending of military intervention in labour disputes and an automatic bonus on religious holidays, to name but a few (Sijabat, 1995). Latief has also instituted an automatic yearly revision of the minimum wage level, commensurate with inflation, adding that workers should be paid 30 days in a month instead of 26 days, as previously. As far as he is concerned, there should no longer be disputes over minimum wage levels, and he expected most companies to pay their workers a salary which would place them above the subsistence level.

The government's development strategy as outlined in the 1993 Guidelines of State Policy and the Sixth Five-Year Plan (Repelita VI - 1994-1999): *Economic growth should be aimed at enhancing the people's income and reducing economic*

instability and social gaps. The concentration of development policies during Repelita VI, are to achieve a *development trilogy* comprising:

- (i) an equitable distribution of development and its outputs to create social justice;
- (ii) achieving significant economic growth; and,
- (iii) ensuring a healthy and dynamic national stability.

The government minimum wage is set up to comply with the minimum subsistence requirement (KHM) in every province. It was first introduced in the early 1970s, but since then there has been no law which regulates the policy. The decision is taken by the tripartite body, but the government has a major role, as the final decision is taken by the Minister of Manpower. According to Simanjuntak, a former Director General of Industrial Relations and Labour Standards (1995), the objectives of a minimum wage policy include the following:

- (i) to avoid or reduce unbalanced competition among workers as a result of a labour surplus;
- (ii) to avoid or reduce the possibility of exploitation of workers in a situation of an excess of labour;
- (iii) to provide a *safety net* which aims to improve the standard of living;
- (iv) to reduce absolute poverty among workers;
- (v) to improve industrial productivity;
- (vi) to improve the purchasing power of workers and to enable workers to be competitive in the global economy; and,
- (vii) to create stable industrial relations at the factory level.

Based on Ministerial Regulation No. 02/MEN/1996, the minimum wage was increased by 10.63 per cent at the beginning of April 1996. The level doubled during

1994 to 1996. From Rp.2,600 in 1994, it increased to Rp.5,200 in 1996, and it stands at Rp.5,900 in 1997 in Tangerang. Article 4 of the regulation also stipulates that employers are obliged to pay for a 30 day month to all workers, whatever their contract of employment. Workers interviewed agreed that a positive effort has been made by the government, however, they point out that basic costs have also increased to the extent that they are currently worse off in real terms than they were before, hence, they urge the government to recognise that price control should be the priority rather than minimum wage increases. The workers appreciate that price control would have a more effective and permanent impact on living standards than continuous increases in the minimum wage level.

A comparison of minimum wage rates within selected Asian countries reveals that the Indonesian minimum wage (UMR) is among the lowest. On average, in 1996, it was Rp.4,073 or US\$1.78 per day or US\$0.25 per hour, compared with US\$0.58 in both the Philippines and China and US\$0.71 per hour in Thailand (*The Indonesian Times Daily Newspaper*, 10 April 1996).

In a televised discussion in May 1997, the Director General of Industrial Relations and Labour Standards, D G Suwanto, stated that, in the long run, an improved wages policy should provide for sectoral variations. This would enable employers in the different sectors to establish a wage level which would better reflect the demand for labour and the demands of workers. While this is not a new idea, it was first put forward in the early seventies, it would appear that many enterprises may now be ready to accept such a situation. This view was endorsed by the other participants in the programme which included prominent leaders of the Indonesian Chamber of Commerce and Industry (KADIN), and the Association of Footwear Producing Companies (APRESINDO).

Although the minimum wage has been increased in recent years, it remains below subsistence level but, of greater significance, is the fact that the minimum rate is not automatically paid by many companies, a situation that consistently leads to strike action.

8.2.1 Workers comment on wage increments

Different opinions emerged in discussions with workers regarding the implementation of wage increments. In the first week of April 1996, in which a new minimum wage agreement came into force. About 23 workers were interviewed. Some of their observations are presented below. These are arranged according to the points emphasised in the interviews which often covered a number of different issues. The names used are not necessarily the respondents' real names, as most were apprehensive about making comments and requested the researcher to guarantee that their statements could not get back to their employers.

Despite government regulations many companies do not comply with minimum wage rate increases, hence, employees feel forced to resort to strike action. In fact, some companies indulge in unfair practices by incorporating previously paid allowances into the basic rate in order to appear to be complying with the latest stipulated minimum wage level. Most workers pointed out that minimum wage rates have failed to keep up with inflationary increases over the past two decades. As a result, the minimum rate is below the calculated subsistence needs for an unmarried worker. A constant complaint of employees is that the majority of companies make no provision to compensate for length of service. Finally, many drew attention to the fact that the minimum wage legislation stipulates inadequate penalties for employers who

do not comply; a maximum fine of Rp.100,000 (equal to US\$40) or three months imprisonment. The Ministry of Manpower Regulation No. 2/MEN/1996 also stipulated, that the payment of a minimum wage increase may be postponed if the company can prove that, financially, it cannot pay. In practice many labour-intensive industries obtained such a postponement in Tangerang.

Bambang (29, male) a high school graduate, now working at a textiles factory, explained his concern regarding the latest minimum wage increment which, at the outset, the company refused to pay but, after strike action, agreed to pay. His main complaint was:

“we have different levels of experience, but there is only 2.5 per cent difference. The company does make some difference between workers, based on longer periods of service and levels of education. But the amount is still too low, such as for those having 0-3 years services the monthly wage is Rp.160,000 (equal to UMR 1996), but those over 3 year service, only 2.5 per cent higher. The company seems not to appreciate us who already work for over 10 years, this is what we want, the company should pay according to length of period of employment. This is our demand to the company, nothing else. The wage differential is not big enough”.

Commenting on this point, Soetardjo (34, male), a personnel manager at the factory explained that it was very difficult to comply with the workers' demands, as there is no provision in the UMR policy to differentiate wage level on the basis of length of employment. The company already pays in accordance with government policy.

Susanto (25) a male high school graduate, works for another textiles company. He explained that he has to manage his income very carefully, but he often cannot do it. Although the minimum wage has been increased by the government, his company

does not automatically comply with the regulation. That is why, he and other workers went on strike as a means to obtain the increment. He went on to say that:

“we want to discuss with the management regarding these demands, if you could argue our case with the management, we would appreciate it. If we talk directly to the management, they always refuse, saying that our wage is already equivalent to the existing minimum wage policy, although in reality it is not. They may take more notice if it is presented by an outsider, especially a researcher”.

A separate point was made by Ati (26), a female high school graduate, working for a footwear factory who revealed that based on the 1996 UMR regulation, she should have received Rp.5,200 plus Rp.900 food allowance per day, which was received before the increment. The employer, however, was *clever*. After the introduction of the new UMR she only received Rp.4,300 plus Rp.900 for food which amounted to Rp.5,200 (equal to UMR). The increment was not an increment but a substitute for the food allowance, previously being received. This applied to all employees at the factory, despite the fact that the collective labour agreement clearly stated that any basic wage would exclude food and other allowances. She calculates that with the increase in the minimum wage, her actual wage has decreased by Rp.28,000 a month. For this reason, she planned to go on a *demo* along with her 300 colleagues.

Yayat (22, male), another high-school graduate, working in a foreign-owned footwear factory, explained that his wage is Rp.270,000 a month, but his take home pay is only Rp.150,000, the difference being deducted to cover food and transport provided by the company. He said that any wage increment would be used for sending money to his parents and relatives in his home town of Klaten, Central Java. He lives with 14 friends at a house with two rooms, a living room, a kitchen and a bathroom. His only recreation is to walk along the main road near his *Kontrakan* and hanging

around for several hours. This is a free and interesting *recreation*, he said. He does not have money to pay for any recreation. Yayat pointed out that there is no union at his workplace, but he is of the opinion that one would improve the condition of the employees.

Jontor (23, male) another high school graduate and now a textile worker, is originally from Madiun, East Java. He lives in a room with 7 friends, for which each pays Rp.10,000 a month. The size of the room is 5 x 4 metres. There is no kitchen. For bathing there are three open-air showers for 8 rooms, which are occupied by 50 workers. Cooking is done on a one metre wide veranda where about 15 occupants cook at the same time. Most of the time they buy meals at the *warung* nearby, each spending around Rp.500-Rp.1,000. Lunch with rice, vegetable (*sayur*) and an omelette egg costs Rp.700, but to have meat is an extra Rp.300. Jontor explained that he has to live like this because his income is inadequate. His take home pay is Rp.145,000 a month. With the latest wage increase, he plans to buy some home appliances, as there is no chair, cupboard or mattress in the room. Clothes were kept in boxes.

Tino (25, male) graduated from high school and now works in a textile factory, he is married with one child. He said that his current wage is just enough for food and accomodation, he explained:

“if it stays like this, I don’t think I will be able to educate my child, up to university. I have to pay rent of Rp.60,000 a month, but the problem is really the daily expenditure which sometimes goes up to Rp.7,000, which is more than the amount of the minimum wage. Although, for me to have a job with a little wage is a blessing from God. As you know, in this country to get a job is really difficult. I am pleased to work in the factory, but if there is a better job I will change it. I have been working for five years in this factory, with a basic wage of just Rp.6,500 a day. If I work every day in the month I get an extra bonus of Rp.7.000”.

Tino emphasised that sometimes daily expenditure (excluding rent) exceeds the daily wage rate. In the context of a confidential interview he called for a radical increase in the minimum wage to take it above the basic subsistence level, but he is not prepared to speak out. He does not openly complain about the wage system, because the company does not like it and those who complain will be fired. He prefers to keep quiet. He is quite happy to work, but sometimes he does not have adequate rest, because he is obliged to work overtime. Such a situation emphasises the weakness in which organised labour finds itself in the current industrial environment in Indonesia. The basic problem is not so much a lack of freedom of association but exploitation in a situation where labour is in over supply.

Ahmad, a 27 year old male graduate from high school, who works in a garment factory, began by emphasising the inability to purchase nutritious foods, especially for children, from the prevailing wage rate. He emphasised that his family had to eat anything that could fill their stomach. He said nutritious food like meat and eggs are just a dream. There is no chance of meeting anything other than basic needs. His plan is that when his two year old son reaches six years old, he will educate him at the village in Central Java, where his parents will provide better quality food. This decision is not only because of food, but also based on his current accomodation (two rooms, 5 x 3 metres) which he thinks will adversely affect his child's development. He concluded that the food and accomodation, available at his parents' home in the rural village, are much better when compared to his situation in the urban environment.

The most significant analysis on the prevailing wage situation was given by a textile worker, Kemal, a 35 year old high school graduate who drew attention to his own experience. He has worked for 15 years. He had recently (January 1996) written to the Minister of Manpower pointing out what his daily wage could provide in 1982

(equal to Rp.1,700) and in 1995 (equal to Rp.4,600). He used a simple method - comparing how much he got in 1982 and in 1995 in terms of a meal at a *Warung Tegal* or the cost of buying litres of rice; transport expenditure (metro Mini or Mikrolet), and rent for accomodation. He stated that his daily wage in 1982 was equal to 7 portions of rice with omelette eggs and vegetables at the *Warung Tegal* or 8.5 litres of rice; making 34 journeys by Mikrolet or Mini Bus and renting a *Kontrakan* (accomodation, which is 4 x 5 meters) on his own. Thirteen years later, in 1995 he pointed out that, while his income had increased from Rp.1,700 to Rp.4,600, that is, it was two and a half times higher, the 1995 income was only equal to 4 meals with the same menu, but if he wanted to have 7 portions as before, he would have to replace his omelette eggs with a portion of soybean cake and vegetables. He could, in 1995, only obtain 5.75 litres of rice, a reduction of 2.75 litres. With respect to transport, the 1995 wage covered the cost of only 19 journeys, a reduction of 15 journeys, and in terms of accomodation, the space he could afford had not only be reduced (3 x 4 rather than 4 x 5 metres) but he had to share with three colleagues. Kemal said in his letter to the minister that he was more prosperous 13 years ago. In *real terms*, the 1995 wage involved a reduction of 32.83 per cent. To regain the *real* level of wages received in 1982, Kemal argued that the current minimum wage should be Rp.6,990, or Rp.2,390 higher than the 1995 minimum wage established by the government. In addition to the income issues mentioned in his letter to the Minister, Kemal told the interviewer that he felt strongly that the government should formulate a policy that would provide a better opportunity for workers to organise and freely form their own organisations in order to create better worker/management relations based on the PIR system.

8.2.2 Wage increments - employers comments

A review of daily newspapers, in May and June 1996, on the implementation of the new minimum wage regulation, revealed that companies mostly agreed to pay the increment, but were not prepared to accept the thirty day month stipulation. This was especially the case in labour-intensive industries (textiles, toys, garments, and footwear) where most employees did not work on Sundays and national holidays. Employers urged the government to re-consider the new regulation, which appeared to contradict Government Regulation No. 8, of 1981, concerning the Protection of Wages based on a ratified ILO Convention No. 106, which accepted a *no work no pay criteria*.

The 1997 minimum wage level takes the current minimum wage to 92.2 per cent of the basic minimum physical needs of an unmarried worker. As a result, the government has been criticised by the API (Indonesian Textile Producers Association) and the APRESINDO (Indonesian Association of Footwear Producers) who both claim that their respective sectors may not be able to meet their target output of US\$10 billion during the Repelita VI if the minimum wage goes on increasing at this rate (125 per cent over the three year period 1994-1997). Despite these objections, the government stands by the 1993 State Guidelines on National Policy (GBHN), which stated that workers' welfare should be strengthened through the improvement of minimum wages. This stand was clarified by the Director General of Industrial Relations and Labour Standards, D G Suwanto, who emphasised that workers' welfare is a priority programme. The government seeks to develop welfare through a number of channels, the most important of which are: developing co-operatives at the factory level; the introduction of family planning and health clinics; expansion of the social security system; improved housing; the corporate development of sports facilities; and,

the payment of an adequate minimum wage. He gave, as an example, the situation in Tangerang, where, since the early 1990s, an annual sports competition between factories has been held. This aims to facilitate an exchange of knowledge concerning co-operative programmes among neighbouring factories in addition to providing a day out for the communities (Interview on 20 January 1996).

In early 1997, the government was forced to acknowledge that *strikes* were becoming more frequent in most of the big cities in Java, the primary demand being for a minimum wage policy which postulated differing rates according to length of service. The biggest strike occurred at a footwear factory in Tangerang where the Ministry of Manpower had agreed a postponement in the introduction of the new minimum wage levels. After conducting a 10 km long march and rally, which involved local government officials, local parliamentarians and local FSPSI, the government changed its stance and agreed that the company should immediately implement the minimum wage regulation. Workers with more than three years service were still dissatisfied, however, and continued the request for a differential structure but the employer did not give a positive response immediately. Consequently, about a quarter of the employees continued to strike on the following day when violence erupted.

The 1997 unrest in the labour sector emphasises the fact that most companies are interested in low wages under the umbrella of a strong government prepared to guarantee a secure business environment, regardless of the well-being of the workforce. Meanwhile, for the employees the emphasis is different. Most not only have to work hard for long hours but also live below the subsistence level. Clearly the situation bears little resemblance to the high ideals put forward in the PIR system.

The increment in minimum wage levels has had no positive impact on basic welfare and real wages, despite the increase in absolute terms. What workers now demand is that when wages increase this should not be followed by increments in daily expenditure, for food, transport, and accommodation, especially if these are being supplied by employers. The current situation in Indonesia recalls the anti-truck shop sentiments of early nineteenth century Britain.

8.3 The role of the Ministry of Manpower

Within the district offices of the Ministry of Manpower, there are specialist staff assigned to dealing with industrial relations issues at the factory level; labour inspectors and industrial relations officers. All these officers have undergone a nine month training programme at the Centre for Personnel Training (*PUSDIKLAT*), within the Ministry of Manpower.

Currently, there are eight industrial relations officers and thirteen labour inspectors in Tangerang. The role and function of these officers is to maintain industrial harmony and stability at the factory level. The number is, however, too small. For instance, each labour inspector is responsible for more than one hundred establishments and each industrial relations officer is responsible for at least 150 establishments. If these officers visit fifteen establishments each month, they can only

cover approximately 1,000 establishments annually. This adverse condition is not confined to Tangerang. The acute shortage of officials is a national problem. For instance, throughout the regions, there are approximately 3,000 officers responsible for more than 150,000 establishments which employ more than thirty million industrial workers (which gives a ratio of 1 officer to 10,000 workers).

At the factories where the observations were made, most workers complained that, during factory visits, these officers were mostly concerned with the interests of management. They spent most of the time listening to management and more often than not completely ignored the workers' interests. Although the inspectors maintained that they were committed to both workers and management, most workers felt that if the inspectors were to do their job properly, they should discuss the prevailing conditions at factory-level with the workers. Workers are suspicious that corruption is involved to the extent that inspectors receive gifts from the management, such as money and samples of the factory products while, when these officers meet workers, they receive nothing other than complaints about day-to-day problems, especially about the managements' attitude towards the workers. The workers maintain that they should be informed ahead of time of any visit and that provision should be made in the programme for the inspectors to meet and discuss problems with workers' representatives. Another suggestion from the workers is that the inspectorate should provide time to discuss prevailing labour/management relations in the context of existing laws and regulations.

8.4 The role of employers' organisation

The chairman of the Indonesian Employer's Association, Subingar Sukarton revealed, in an interview in June 1997, that the association backed the government policy to enhance workers' welfare and minimum wage policy in the context of improved productivity. He went on to say that regulations should be made to place legal obligations on the employers. At the same time, he felt that the government should increase its input as a mediator in the context of industrial relations, as employers currently felt that too much attention was given to implementing minimum wage legislation. He is of the opinion that the current minimum wage policy should be reformed to cope with specific conditions prevailing in the separate industrial sectors, in other words, there should be a *sectoral wage policy*. In general, APINDO was of the opinion that minimum wages should be agreed at the regional committee of the wages council (DPPN) and decisions should take into consideration the ability of industries to pay; the availability of labour and productivity levels. Sukarton felt that indigenous employers were often placed under intolerable pressure by being squeezed between government regulations and workers' demands.

Meanwhile, APINDO's Secretary General, R. Thamrin (1997) pointed out that the *Jamsostek* programme should be organised through the mechanism of a tripartite body, so that every party in the industrial relations scenario is well-informed on the

programme, especially on the financial implications. The fact that employers are the major contributors to PT Jamsostek resources should not be overlooked. This situation could best be recognised by appointing at least one APINDO official to the Board of Directors of PT Jamsostek. During the interview he argued that *Jamsostek* should expand its programme to encompass improvements in workers' welfare, for instance by funding better housing facilities. APINDO as one member of the tripartite body responsible for the implementation of the *Pancasila* industrial relations (PIR) system, is aware that, in order to create industrial harmony, workers should be given equal treatment and appropriate remuneration with a balance being maintained between workers' welfare and improving productivity. Clearly, there is no hesitancy on the part of the association on the relevance of the concept of workers' welfare (Interview on 12 June 1997).

8.5 Common problems at the workplace

There are a number of common workplace problems associated with welfare provision. The most significant relate to transport costs, and social security membership. The desire for sports and recreational facilities is also important. These are looked at in some detail in the following sub-sections.

8.5.1 Transport costs

A significant area of contention amongst employees in Tangerang was the problem of transportation to and from work and transport costs. The survey data show that less than 40 per cent of the respondents used transport to get to and from work.

The majority walk. Some, the luckiest ones, live near to the factory, but the majority walk because they cannot afford to pay transport fares. Approximately 30 per cent used company transport, while the rest rely on public transport. For most workers using public transport, the company normally covered the cost, but up to 30 per cent pay their own. Transport expenses can account for up to 25 per cent of the daily wage, which gives rise to considerable concern on the part of those affected.

Some employees highlighted the problems created by the unreliability of public transport which is complicated by traffic congestion during the day and infrequent scheduling at night time. These points are highlighted in the following interviews.

Waginem aged 27 years, a female graduate from high school, has worked at a garment factory for 5 years. She normally works at night. As the company does not provide transport she has to find her own. Normally she starts working at 9.00 p.m. when public transport is already rare. If she is lucky, there may be a mini-bus still around but more often than not the only public transport available is *ojek* (riding on a motorbike) but the fare is triple that of a mini-bus or Mikrolet. If there is no transport available she has to walk for about 4 km. It takes her 40 minutes. Hence she has to allow an hour to get to work. But of more importance than the time spent in walking, is the security factor. It is often not safe for a women to walk on her own at night. She feels that she would be more productive if the company were to provide transport. Alternatively, this could be arranged by the workplace co-operative. In any case, she would be prepared to contribute a reasonable amount to the cost, which would be much less than the cost of public transport.

Another female worker at a textile factory, Yuniwati (27), explained that while the company already pays the new minimum wage rate, they no longer provide a

transport allowance which is now incorporated into the basic rate. Yuniwati pointed out that her company never provided transport for workers, instead it paid a transport allowance. But this has its disadvantages. If workers want to be on time, they have to leave early from home, otherwise they cannot find public transport, other than as a motor bike passenger. She felt that company transport would be more reliable and so reduce the time involved in getting to work.

For Narwati, a 22 year old female high school graduate who works at a garment factory, paying for transport is really a problem, as a round trip bus fare (at Rp.1,200), costs about a quarter of her daily wage, a proportion similar to that mentioned by other interviewees. Consequently, she walks the 4 miles to and from work which adds about two hours to the time she is away from home and contributes greatly to her daily fatigue.

A number of points emerge with respect to transportation facilities. The first is the high cost in terms of daily earnings; the second is that many take the alternative of walking which can lengthen the working day considerably and increases the safety risk factor as far as female night shift operatives are concerned. In addition, walking to and from work adversely affects productivity. Those who use public transport would be happier if the company were to provide transport facilities which would not only reduce cost but also increase reliability.

8.5.2 Sports and recreational programmes

As many as 74 per cent of the respondents had access to sports facilities at the workplace. Of these, 42 per cent worked in textiles factories, 16 per cent in garments and 42 per cent at footwear factories. There was a high correlation between the

provision of recreational facilities and other welfare programmes. At the same time, companies with sports facilities also tended to have stable industrial relations, with 94 per cent of their employees being unionised, against 48 per cent in factories without such facilities. Also, 95 per cent of their employees were registered in the *Jamsostek* programme against 61 per cent of workers in companies that made no provision for sports and recreation.

Most respondents request sports and recreational activities and point out that such facilities improve their relations with management. While, in general, the facilities requested relate to a football field, badminton court or table tennis facilities, the employees emphasise that the provision should be adapted to each workplace environment and could be located either at the factory or near the residential areas. If at the latter, joint facilities with neighbouring factories could be initiated, in the interest of costs.

All employees interviewed wished to see an annual event being launched within their factory compound which would be an opportunity to relax with the family and friends. They also suggested competitions between neighbouring factories open to all from the surrounding community which could also be established on an annual basis.

The argument is that factories are found everywhere in Tangerang, and the idea is to create the realisation that factories are not merely places of work but also can be regarded as a specific type of community socialisation. These views are very much in keeping with the philosophy of the PIR system and it may be relevant to note that such an idea originates from the workers rather than from the government or employers.

8.5.3 The *Jamsostek* programme

The *Jamsostek* programme was previously known as *ASTEK* and is based on Law No. 3, of 1992, which established a Social Security Scheme for Workers in the industrial sector, which was later extended to workers in the informal sector, although informal sector involvement is still relatively small. Those working in the agricultural sector, however, which is by far the largest employment sector in Indonesia, are completely excluded.

The name of the programme was changed from *ASTEK* to *Jamsostek* in 1994 at the same time as the programme expanded from three to four components. These are a work-related accident insurance scheme, death insurance, old age pension and health/family planning services. *Jamsostek* functions as a non-profit enterprise, under the operational guidance of the Ministry of Manpower, but, financially, it is under the administration of the Ministry of Finance as are all other state enterprises. As the programme is compulsory, companies who do not participate can be fined up to a maximum of 50 million rupiah or six months imprisonment.

Budihardjono, a Member of Parliament with a strong interest in labour affairs is convinced that the government is too tolerant towards the corporate sector. He illustrates this by reference to the *Jamsostek* programme, where only around 52,000 out of 144,000 registered companies have enlisted their workers in its programme. The total number of workers insured in 1995 was approximately 7.7 million, out of an estimated 30 million organised sector workers.

The survey data show that, out of 600 respondents, 85 per cent were registered in the *Jamsostek* schemes. The age structure of those in the *Jamsostek* programme

were 70 per cent aged 20-30, with the rest aged over 30 years old. There was a significant variation in membership between the industrial groups. As many as 85 per cent of the respondents from footwear factories were covered but only 78 per cent from textiles establishments, and as little as 37 per cent from garment factories. Of those in the *Jamsostek* programme, over 60 per cent belong to an *Arisan* group, but only 29 per cent of non-Jamsostek members seek to save in that way.

The survey data also reveal that the *Jamsostek* programme has a positive impact on other welfare facilities too, for example, those respondents with *Jamsostek* membership also mentioned that they were provided with sports facilities (81 per cent), and a recreational programme (70 per cent), against 27 and 24 per cent of non-*Jamsostek* membership. The significant impact of *Jamsostek* also positively relates to co-operative membership, as indicated by 73 per cent of insured respondents and only 15 per cent of non-insured using co-operative facilities.

Discussions during the observations revealed that, while the majority of workers appreciate membership, many also have problems. Most do not know where to obtain relevant information about *Jamsostek* programmes and most feel that they are being cheated by the management, especially in relation to *Jamsostek* identity cards. According to those interviewed, *Jamsostek* identity cards are very important as, without a card, it is impossible to make a claim because their actual membership is in doubt. Some workers say that while Jamsostek dues are deducted from their wages, no information is available with respect to their registration as members. Others noted that the management cheated them in terms of the number of programmes they were registered in, for instance, instead of enlisting each employee in all four programmes, some workers found themselves registered in one or two programmes only, although wage deductions were made for the full membership of all four programmes. In other

instances, some strikes occurred because workers wanted to join the *Jamsostek* programme, but the management did not undertake the necessary action to achieve this.

Clearly, there should be strict law-enforcement with respect to *Jamsostek* membership. While there is an integrated inspection system within the local Ministry of Manpower, in collaboration with the PT *Jamsostek* officers at the plant level, hindrances exist as the officers are often not given adequate access to sites or records.

Companies must be forced to register their workers in all *Jamsostek* programmes. The government should punish companies who do not comply with the law. Workers revealed that they do not mind paying *Jamsostek* dues, because they realise that the ultimate benefit will be for them. But there are problems. During the focus group meetings, many participants stated that PT *Jamsostek* should provide detailed explanations and information concerning benefits and claims and easy to understand leaflets. All they know is that their salary is being cut every month (5 per cent of the basic wage) to pay *Jamsostek* contributions without knowing what programme coverage they are entitled to. If they get ill, they do not know what to do, some appreciate that they have to register themselves at the local hospital then PT *Jamsostek* will pay for their fees but they have no idea of entitlement regarding accident compensation schemes, and information on the old age pension scheme is also not available (what is the accumulation of somebody paying for more than 20 years for their old age pension?) The provision of such detailed information will increase the relevance of the programme. The creation of simple, readable, written information would be appreciated by most workers.

8.5.4 Maintaining healthier workers - providing clinics at the workplace

Over 80 per cent of respondents had access to health services, both curative and preventive. Data were collected to see if health services were linked with family planning services. The analysis shows that 74 per cent of respondents in factories with medical facilities were involved in family planning, compared with 55 per cent of respondents working in establishments with no health programme. In most cases, health and family planning services are integrated as a programme package at the factory clinic.

The majority of respondents stated that, in their opinion, factory health services were better than the community health centres (*Puskesmas*), although around 25 per cent indicated that they saw no significant difference, despite the fact, that in most cases, while medical staff were available 24 hours, doctors were present only twice a week. Although the quality of health services available at the factory and the community health centres were similar, 79 per cent of the respondents were influenced by easy access with respect to the former.

Observations conducted at the clinic site at factories revealed that health and family planning are an integral part of services available in most of the big companies employing over 300 workers, although in some foreign-owned establishments, facilities were inadequate to deal properly with the number of workers seeking family planning assistance. At the same time, health facilities available to night shift-workers fell far short of the provision made during the day shift. Many participants at the group discussions pointed out that, in addition to their workplace clinic, they can also obtain reliable services from the *Posyandu* (integrated post of health and family planning),

close to their residential area and this access is significant for the benefit of small children.

A common logistical problem is that workers have to obtain permission from the factory doctor if they want to be absent from work because of sickness, but this is not so easy, given the fact that, at the majority of plants, doctors are only available on two days a week. As a female worker (27) at a garment factory explained:

“we have to obtain a doctor’s recommendation when we can’t work. This is difficult because the company doctor only visits twice a week. If we are ill during the day when the doctor is not at the company clinic, we have to continue working otherwise the company won’t pay our wage. We were pleased to have a company clinic, but the management should give us a chance to visit a private doctor at company expense if the company doctor is not available”.

The main point of contention is that while there are multi-programme services available at both the workplace or at residential areas, which are easily accessible to workers and their families, workers feel that the employer should be prepared to cover the cost of private services which have to be availed of at those times when the doctor is not available at the company clinic.

8.6 Creating better workplace relations based on the PIR system

In the structure of the Indonesian industrial relations system, tripartite bodies are a significant institution. Workers are represented by the FSPSI, employers by APINDO, and the government, by the Ministry of Manpower. The tripartite bodies function at central, provincial and district level. One of the activities is to design industrial relations policy and practice, although the final decision rests with the

government. Tripartite meetings are held regularly at Tangerang. The meeting normally takes place at the office of the local Ministry of Manpower. At the session attended by the research team, participants were drawn from the three institutional parties, plus representatives from personnel managers of companies having an employment relations problem. Unfortunately, no workers representatives were present at that time, apart from the local FSPSI officers. The prevailing factory situations were discussed in detail in an effort to find an acceptable solution in the context of recent strikes or demonstrations. Most management representatives indicated a positive response to the concept of unionism as long as workers accepted a responsibility to comply with requirements stipulated by laws and regulations. It was emphasised, however, that there was a current tendency for outsiders to infiltrate workers meetings. Such *activist* want to set up a union without affiliation to the FSPSI which is contrary to government policy.

The survey results show that 98 per cent of the 600 respondents are in favour of the principle of consultation to reach consensus, although only just above 70 per cent advocate the partnership system of the *Pancasila* industrial relations. On the practical level, 68 per cent acknowledged that, at the workplace level, the system does work. On the effectiveness of such a system, 87 per cent of the respondents felt that the right to organise was fully guaranteed. This indicates a high commitment among the respondents towards the PIR system but, at the practical level, each of the tripartite constituents must be committed to promoting such a system at the workplace level.

According to the prevailing laws and regulations, managers should treat workers as partners in the production process and not merely as a production tool. In many of the group meetings, participants urged that they, the workers, should support every effort by the management in order to improve the quality of the product. They

stated that one of the basic rights of workers is to obtain reasonable wages but that their basic obligation is to perform good and productive work. This situation has a direct influence on their day-to-day relationship with management. To improve such a relationship, most participants wished to obtain training regarding the basic principles of the industrial relations system, stating that they would be delighted to receive training which would enable them to first improve their skills and, thereby, increase productivity, provided it was reflected in improved earning powers.

An individual approach should also be implemented for maintaining industrial relations at the factory level. This may be in the form of setting up a consultation centre at the factory main entrance, so that workers could be made aware of any assistance they may require. Such a centre could provide various consultation services which would create an *early warning system* providing prior indication of the factory business activities and, at the same time, creating an indication of better industrial relations. This approach could be in the form of joint activities of both parties. This was suggested, because most participants did not understand the function of a bipartite body as a means of creating consultation. Basically, a bipartite body is designed, primarily, to establish consultation which may provide an opportunity for both workers and management to talk to each other on any subject relating to grievances. If there are no grievances, such a body will not need to function. Most of the participants stated that they did not have any experience of this type of activity and only a few were even familiar with the terms used. They, therefore, wanted a centre which could create a friendly atmosphere at the heart of the factories.

Discussions on matters relating to worker/management relations at the factory level were possible during participant observation. This was undertaken with workers at the factory during observation of training sessions conducted by the management.

Most of the workers revealed that they had limited access to information on regulations applicable to industrial relations. Through attending training sessions, they appreciate that their knowledge is being gradually improved. As part of the training, the management invited the local Ministry of Manpower officers to lecture on industrial relations practices in the region, and local government representatives were also invited to talk about local government responsibility in the context of regional development. None of the lectures, however, considered how workers' welfare could be improved and how to set up a union at the factory level. They stated that workers' welfare, depends entirely on management policy. For instance at a garment factory, the management was concerned about the quality of food for workers which, they believed, had an impact on industrial productivity. By providing adequate canteen facilities, management believes it can have a positive effect on the production process. Most participants revealed that they obtain reliable knowledge and information regarding activities to be undertaken, in matters relating to industrial relations, at the factory level. For instance, welfare facilities have a close connection with productivity, because management policy is concerned with the quality of the product in order to be competitive at the market level. Most believe that if training is provided for all workers, there will be less strikes or demonstrations.

Most of the participants felt that worker/management relations could be improved, if workers were provided with adequate welfare facilities. In most of the factories, welfare programmes were adequate, but at five Korean-owned factories it was observed that, while workers' welfare facilities were excellent, there was no union. During question time at a seminar session, several participants raised issues related to the setting up of a union. This request was made known to management before the seminar began, but there was no positive response. When put to the representative from the local Ministry of Manpower, the response was not satisfactory

in that it was emphasised that both parties have to participate in a *Pancasila* democracy, in order to reach a consensus, but if one party does not wish to participate deadlock is inevitable. Most participants felt that the primary purpose of setting up a union is to facilitate the communication process between workers and management, and most workers felt that such a union could also assist management in conducting day-to-day work in the context of a welfare programme. For instance, union members can distribute contraceptive devices, if the factory runs a family planning service.

While almost all workers advocate establishing a union, there is some reluctance on the part of the management who assume that, by providing adequate welfare services, the whole welfare issue is taken care of, family welfare is increased and workers are in a better position to perform their job and productivity should improve. They, therefore, feel that the basic right of workers to organise is irrelevant. In short, with enlightened despotism, democracy is an irrelevance which can only hamper the socio-economic development of employees.

8.7 Summary

This chapter has addressed the issue of welfare services at the workplace. It is clear that there is a tendency for welfare services to be provided in lieu of allowing a union to be established. In most of the foreign-owned companies visited, it is evident that welfare services are excellent and workers are paid well above the minimum wage level, but at the same time there is no indication that workers are allowed to set up their own union organisation. If this is, in fact, representative of the attitude of foreign-owned enterprises an alternative to unionisation would be to augment the provision of welfare services with the creation of a facility which would improve

worker/management communication which need not go as far as the creation of a conventional union.

The next chapter examines the living environment in some detail. Among the aspects analysed is the fact that the *Paguyuban* (social gatherings), can provide an opportunity for improving plant-level communication on the basis of a traditional institution utilising established cultural values.

CHAPTER NINE

THE WORKERS' LIVING ENVIRONMENT

9.1 Introduction

It is thought that there is a high probability that a poor living environment has a negative impact on productivity. A poor living environment characterised by over crowding, poor sanitation and dirty conditions must adversely affect the mental attitude of the workers. Previous studies have shown a correlation between the risk of accidents and family burdens, depression and malnutrition (Takahasi, cited in Richards, 1988a:122). While living at the workers' residential areas in Tangerang, it was found that living space is very cramped. Generally one room of 3 x 4 meters was occupied by 4 persons. In most cases, the *Kontrakan* are unfit to live in and can only create a depressive outlook on the part of the workers. Any renovation will involve considerable financial expense. The obvious choice, is to move the dwellers to a new living environment but this involves a substantial financial input too.

The argument of this chapter is that while acceptable welfare programmes are becoming more and more available at plants employing 300 workers or more, no considered effort have been made with respect to improving the living environment. Although a group of companies has already set up residential complexes for workers, but an extensive integrated programme needs to be introduced if the living environment is to be substantially improved.

A number of different relationships are examined in this chapter. The possibility of facilitating employee/management relations through interaction within a social framework is examined in the form of *Paguyuban* (social gathering) among workers and managers. It is felt that informal relationships provide an opportunity to evolve into more sophisticated mechanisms. Basic to any significant improvement is the need to improve housing facilities, which requires a joint approach involving the local authority, the tripartite constituents and, possibly, religious leaders. A key element in such a development will be the provision of credit facilities, opportunities for both saving and the effective utilisation of such savings, which itself requires an expansion of the co-operative principle. Both the constraints and potential benefits of religious observation are also considered.

9.2 Social settings - indigenous institutions

There is a great deal of mutual help (*gotong royong*) taking place in the communities where workers reside. A variety of such activities were observed. They ranged from large projects, such as building a water drainage channel, through cutting grass and general environmental improvements to sick visiting and volunteer work at family planning outlets. Most workers make an input into communal self-help activities on their day off work.

Such activities are formulated and directed through the indigenous institutions of *Paguyuban* and *Arisan* and, while the latter is primarily concerned with the making and rotating of savings, it also facilitates *gotong royong*. Normally these informal *Paguyuban* and *Arisan* meetings take place on a monthly basis or to meet a special ad hoc need and are held in the homes of participants on a rotational basis.

Normally, the groups are based on ethnicity, religious or family relationships, the main objective being to maintain the relationship, hence, the meetings take place among workers from the same locality. These informal linkages provide an opportunity for workers to talk on various issues, including how to improve the quality of the workplace relationship.

The *Paguyuban* normally elects a leader, treasurer and secretary. Those elected are usually amongst the oldest in the group. Once elected, they may stay in post for at least five years. The leader is usually male, but the treasurer and secretary are generally female. The function of this leadership is to handle day-to-day communication among the members.

The concept of informal organisation within ethnic groups has its origin in the traditional social setting within the Indonesian community, especially the Javanese. In Java, for instance, it was believed that all members of the family should live together, for the sake of maintaining a family relationship. To be together in the same locality is very important, especially to keep in touch and protect each other. This traditional institution of rural Java is still alive among the factory workers' of today, especially among low-income-earners, so that social relationships are at the heart of the workers' communities. The older generation of factory workers wish to see the mechanism strengthened in order to maintain family ties.

In one of the *Paguyuban* gatherings attended during the field work, workers expressed their genuine feelings regarding the prevailing conditions at the factory, and also the importance of developing co-operatives and social clubs. Suratno, a 30 year old textiles worker explained that:

“Our *Paguyuban* was set up about ten years ago. Initially, it was attended by a handful of workers from our region, Solo, but after promoting this gathering through door-to-door communication, currently about five hundred workers join in. We express our views on anything that we feel like. It is not like the union where we have limitation of expression. Our *Paguyuban* meets once a month. We discuss anything, such as organising trips, savings (*Arisan*) and relations within the factory, too. It is of great benefit to belong to such a group”.

Sometimes, a *Paguyuban* becomes the inter-link between workforces from different plants. For instance, in one accomodation, there could be twenty workers employed at five different factories. During *off-work periods*, workers talk to each other on aspects of the workplace environment, and, automatically, a personal factory-based problem, may become *everybody's problem* which is then tackled through the *Paguyuban*. This initial awareness and development of issues was raised in many group discussions. With the assistance of *Paguyuban* leaders, matters could be taken to the district union office.

It emerged from focus group meetings that, because workers participating in a *Paguyuban* come from the same locality, maintaining the social relationships is a priority. Members believe that they are the basic unit to improve social welfare among themselves. Workers interviewed stated that often in these gatherings, attempts were made to improve workers' social welfare by discussing family-related problems as well as developing methods of saving, which are each related to future needs. At several *Paguyuban* meetings attended, workers appeared more free to express their genuine feeling regarding workplace relations with the personnel manager, who attended the meeting as an ordinary member of the *Paguyuban*. Consequently, the meetings provided an opportunity to express how they feel about their working environment, hence, *Paguyuban* gatherings have a positive impact on the relationship to management, given the fact that not only does the leader of the *Paguyuban* often pass

messages, but middle managers can become the leaders of the *Paguyuban* as they originate from the *home territory*. In many cases such managers are, in fact, relatives of the workers.

This study has indicated that both *Paguyuban* and/or *Arisan* can improve employee/management relations, given the fact that most workers are involved in these social gatherings. The field work revealed that a number of managers and or supervisors who resided in locations where most workers are to be found often joined in these gatherings. Informal interviews with these managers suggest that often *Paguyuban* and/or *Arisan* are used as communication channels between employees and employers. Sutoyo, a 35 year old personnel manager working at a footwear factory, explained as follows:

"*Paguyuban* is an occasion where workers will meet each other during their leisure time. The major purpose of the meeting is to socialise and forget about the factory work for a while. But we discuss important issues, such as making use of co-operatives, for example making contribution as a method for savings. Really our main concern is to provide an opportunity for leisure time and also think a little bit about the factory life. Most of the workers, including myself feel that factory work can't support a better family life unless we are prepared ourselves to contribute something, for instance through making savings for the purpose of building houses, *gotong royong* (mutual self-help) to clean up the living environment, and providing a healthy living environment for our children. We also discuss our children's education, health and family planning issues, and other matters. As a personnel manager, I feel that being in the environment of the *Paguyuban* encourages me to contribute something for the community. As you can see, workers live in a desperate situation. We have to do something about it. The *Paguyuban* provides such an opportunity".

According to Agus, a 29 year old textile worker:

"*Paguyuban* could improve the social relationship of workers and employers. Certain issues may be too sensitive for workers to discuss openly. But employers would like to be informed in a suspicious free atmosphere. *Paguyuban* can improve the level of awareness of such an issue. If every worker would participate in the discussion, the *Paguyuban* would be active in disseminating information to the management on what issues need to be tackled before they grow into open conflict. In

other cases, such as the family planning programme, it may distribute contraceptive devices among members. *Paguyuban* has many advantages over the union because normally a *union is not an organisation to express workers' feelings*. It belongs to a limited group of workers. The union is sometimes merely the concern of its leaders, and often works for the benefit of employers only. The union, especially the leaders, usually *talk too much, but do nothing* and is sometimes only the *kepanjangan tangan* (invisible hand) of the employers. Meanwhile, *Paguyuban* will be more representative as most of the workers join and contribute in a mutual discussion. There is another important function of the *Paguyuban*, which is to provide transport for us who want to return to our home town, especially during the *Idul Fitri* (a Moslem holiday), we usually provide transport for all members, with the assistance from the managers".

Yunus (23, male) a high school graduate, who is now a textiles worker, pointed out that all workers who live in the same community have a feeling of solidarity, especially if somebody need something urgently, like borrowing money to travel home due to parents or relatives becoming ill or somebody getting married. Yunus explained further that:

"We have the spirit of *mulangin* (returning) back the money we borrow, we never *ngemplang* (not paying), because we feel, we had the same *nasib* (faith) as other workers. We know everybody in this community, those with bad and good characters. We are equal. The *Paguyuban* provide all these necessities".

To sum up, *Paguyuban* may be seen as an alternative to complement communication between workers and management, since it provides an informal but wider opportunity to discuss factory life. This is often made possible by the presence of managers, as full members of the group, in many *Paguyuban* meetings. In a number of discussion groups and interviews, participants, while enthusiastic about the role of *Paguyubans*, felt that they could improve their role if they were to consider future needs, for instance on housing by means of savings. Many felt that they were a strongly rooted and viable alternative to unions as far as indigenous companies were concerned being both more spontaneous from the standpoint of the workers and more acceptable to the management.

9.3 The living environment

Indonesia is the largest Moslem country in the world with over 90 per cent of the population being Moslem; 95 per cent of the respondents interviewed were Moslems. Moslem workers normally get up at 4.30 am to perform morning prayer. This is followed by a preparation, such as taking a bath, getting dressed and having breakfast. Those on the morning shift, who have to travel start going to work at 5.30 am, to be at the factory by 7 am. There is generally a half an hour break at mid-day for lunch and afternoon prayer. Normally workers remain at the factory for seven hours, if there is no overtime work. When they work overtime, they stay for another two to four hours. On returning from work, they are often completely exhausted and want to sleep as soon as possible. For dinner, they usually buy ready-made food from a nearby *warung*. The accommodation where workers live is virtually *unfit for human habitation* as there is normally no window, no sanitation and only a single door. The majority sleep on the floor and three to four in a single room. In most cases, the accommodation, has no adequate lighting system. Normally, no more than a 30 Watt electricity power. Bathing and toilet facilities are also inadequate. In the standard terrace *Kontrakan*, for instance, there are generally only two bathrooms, and two toilets for twenty to thirty occupants.

Most employees feel that management does not care about the living conditions of its workers and maintain that employers are only concerned with productivity but ignore the consequential implications of shanty town facilities, on the health and attitude of workers (which clearly affect output). Most participants in the group discussions felt that employers should be encouraged to provide housing

benefits for workers, while being aware of the deficiencies of living conditions which they, the workers, endured. They were conscious of the fact that a better living environment would lift both morale and ability and, consequently, lead to a better relationship with management and higher productivity. The workers failed to understand how management could not appreciate this linkage in the context of longer term planning. Only the more enlightened employers appreciate the benefit of providing cheap but adequate housing facilities.

Table 9
Type of accomodation currently occupied

Type of Accomodation	Percentage
Own house	34
<i>Kontrakan</i> (rented accomodation)	38
Parent's house (including parent in-law)	9
Relative's house	6
Other	7
Total	100

(N=428).

It is interesting to note that 34 per cent own their houses while table 6 shows that another 39 per cent are saving to buy a house. This shows the importance of home ownership amongst the respondents, as well as the desire to get away from the adverse conditions prevailing in rented accomodation.

Most participants were of the opinion that housing facilities should be regulated by the government by imposing a compulsory obligation on the employers. Workers revealed that the Association of Real Estate Managers of Indonesia (REI) in collaboration with the State Minister of Housing had been active in initiating a special design for *organised workers communities* which would offer *cheap, small, but*

environmentally clean facilities. The financial resources for such projects being mainly contributed by the workers, through monthly deductions from their wages. If workers have to move their job, they receive the full amount contributed as they have their own personal account number. Employees felt that such efforts should, however, be supported by the employers, in the form of a subsidy which would cover the initial credit (down payment). On the other hand, the developer should strive to create a situation that offers cheaper and more easily affordable houses. This would emulate the current practice in the Philippines where the Trade Union Congress of the Philippines (TUCP) is the lead agency in developing such community housing but with positive inputs from both employers' groups and the government.

In a footwear factory, part of a group of companies, a focus group discussion was mainly devoted to the provision of housing facilities by the companies on a subsidised-basis. Approximately 9.000 workers were employed within the group, most being immigrants from rural areas of Central, East and West Java, Yogyakarta, Palembang and Lampung in the Southern part of Sumatra. According to the participants, the company group has developed housing facilities in collaboration with the local community, especially with religious leaders who own large areas of land and construct half-finished facilities which are then made available to management for the use of their workers. The management then provides additional facilities, such as electricity generators, toilets, wells, road construction and other standard facilities, including cement flooring.

Financial implications for the employees can take one of three forms. The first involves a relatively high credit facility requiring an advance payment of approximately two million rupiah (US\$ 800) for a total cost of Rp.5 million, with relatively high monthly repayments. Those who already have savings can avail themselves of this

method. The second system requires a full *cash payment* at the outset. Although the price is relatively lower the majority of workers cannot afford to do it. Thirdly, an initial renting with the possibility of buying. This involves a payment of Rp.3,000 a week, which is much lower than that prevailing for private accommodation. The first and second methods require support in the form of a subsidy from the employers, while the third, generally, can be covered on the basis of a thrifty and ambitious workers' own capability to pay. The companies within the group offer financial resources for those who have sufficient savings and provide a subsidy for those wishing to acquire the property on a *rent* basis. At the time of the field work, ten locations had been developed. One interesting feature of the development is that each of the ten localities provides accommodation for workers for those originally coming from the same rural areas. About 85 per cent of the group employees now live in such areas. When asked if they were impressed with the programme, most said yes, but qualified their answers by suggesting:

- (i) that the government should be involved in determining the price;
- (ii) that employers should encourage workers to buy rather than rent; and,
- (iii) although companies offer loans to those who need help with the down payment, (something which is appreciated by the employees), greater subsidies and loans should be made available as, currently, the initial payments take up all their savings.

When the employers who were involved in the scheme were asked for their comments, they drew attention to what they regarded as the positive impact on the companies. They pointed out that workers are now more disciplined, come to work on time and, if requested to work overtime, are most happy to do so. They emphasised that the impact on productivity was very evident. Clearly, improved housing facilities not only result in better worker/management relations, but also positively affect

productivity. Consequently, the companies wished to expand such facilities, by including unmarried as well as married workers in the coverage.

9.4 Meeting needs through savings

Of the total respondents in the survey, 55 per cent have savings, either at the bank or at home. The majority stated that their savings are intended to meet future needs, such as to buy land, to build a house, to educate their children or to send money to their parents in their home village, primarily to pay school expenses for their siblings. Of those with savings, 84.5 per cent joined *Arisan*. The following table indicates the savings objectives of the respondents.

Table 10
Savings objectives

Savings Objectives	Percentage
develop house	39
buy clothes	6
go on holidays	17
educate children	13
send money to parents/relatives	19
others	7

(N=444).

Usually, workers received their weekly payment on a Saturday with some being paid every two weeks, while a minority were paid on a monthly basis. In general, the basic wage and overtime payments were made at the same time, thus providing an opportunity for workers to save. Most participate in at least one *Arisan* (revolving fund) activity which provides an opportunity to participate in a revolving fund based

on his/her contribution. Seventy per cent of the respondents stated that they joined *Arisan* as a method of saving to meet future needs and contributed between Rp.5,000 to Rp.15,000 at the outset. Most stated that if their incomes were higher, they would save in order to build a house, as they appreciated that paying rent for accommodation is an extra financial burden. Although, in practice, there is a long wait before having a chance to obtain credit from an *Arisan* activity, 56 per cent of respondents appreciated the long term benefits of such savings.

The result of a separate study conducted by the University of Indonesia in Jabotabek (which includes Tangerang), in 1996, shows that, on average, workers could save at least Rp.4,750 if they earn below Rp.100,000 a month, while those earning Rp.100,000 - Rp.150,000 could save Rp.19,611. The study also revealed a correlation between productivity and housing conditions; workers with their own accommodation tend to have a more stable family life, consequently, arrive at work on time and perform better.

The present survey shows a similar result, with a potential for higher paid workers to save up to Rp.25,000 (US\$ 8) a month. The new concept to emerge from the discussion groups was an awareness of the scope to link housing with co-operatives, using the *Paguyuban* as the initiating mechanism which could then lead to the involvement of the union, management and local religious leaders. Above all, it was felt that the government should take appropriate action to enable workers to own their own houses.

Despite their low wages, most workers in the organised sector are anxious to save. Many intend to improve their housing conditions. A large number of the participants in the group discussions mentioned that they were prepared to do anything

to obtain proper housing facilities and they appreciated the possible positive impact if this objective was to be linked to the co-operative programme.

9.5 Co-operatives

The co-operative principle is well establish in Indonesia. Since independence in 1945, co-operatives have become a basic and fundamental pillar of economic development, designed to create social justice, as postulated by the fifth principle of the *Pancasila* ideology. Co-operatives only operate at the lowest level of society, however, among the low-strata of communities, while large enterprises run business by neglecting the principles of co-operatives. It is only recently, that big business and/or conglomerates have been encouraged by the government to lend support to small businesses and co-operatives.

In Indonesia, co-operatives are primarily based in rural areas and other localities of low-economic activity, especially within peasant and fishing communities. Articles 33 and 34 of the 1945 Constitution states that the primary economic life of the Indonesian is based on co-operatives. Where co-operatives exist in an industrial setting their members are normally low-income workers. Such co-operatives, however, are regarded as being very helpful in improving living standards, and facilitating day-to-day survival. Workers' co-operatives are one of the most important factors that can influence workers' welfare. The Minister of Manpower and the Minister of Co-operatives have committed in 1996, to the development of a co-operative programme at the workplaces. Current statistics show that there are about 5,000 factory-based co-operatives established throughout the country.

In the current survey of 600 respondents, 75 per cent had access to co-operatives at the workplace, this being most common in textiles (over 90 per cent), compared with only 44 per cent in garments and 59 per cent in footwear.

Most of the respondents indicated that they obtained such basic needs as food, toiletry and cigarettes from the co-operatives. Some pointed out, however, that only a limited option of foods was offered. Besides selling basic foods, some also sold electronic equipment, clothes, and kitchen utensils. Co-operative prices are lower than those prevailing in other shops, hence, they enable purchasers to save money. In addition, most respondents stated that they can borrow money from their factory-based co-operatives and this helps to solve day-to-day cash flow problems. This has a potentially negative side, in that it can also become a burden, given the ease of borrowing. This is compounded by the fact that debts can be claimed at source through wage deductions. Over 70 per cent of the respondents drew attention to this problem. Another disadvantage, according to many participants, is that co-operatives offer non-essential goods, such as electronic equipment (television sets, radio, tape recorders) which entice workers to purchase when they really cannot afford such items. Many participants revealed that co-operatives enlarge their debt burden by enabling them to pay through a loan-system which can often account for more than seventy-five per cent of their monthly income. Examples of such situations emerged in every group discussion. Workers felt that co-operative leaders should restrict how much workers should be allowed to borrow from the co-operative. Employees argued that the government should introduce a model for factory-based co-operatives which would regulate upper credit limits.

Most of the companies visited organised co-operatives. One garment factory, for instance, has invited workers to utilise the existing co-operative shop to facilitate

workers' wives making an additional income. The personnel manager of the factory pointed out that the programme was not limited to food-making. Other activities including home-made garments, planting vegetables within the factory compound and developing cattle production were also provided for. This co-operative has promoted a *savings habit* for workers, in that the company has contacted a housing developer to study how to design a relatively cheap but reasonable living environment. When asked if a welfare programme could be expanded to improve income, most personnel managers welcomed the idea and emphasised that the co-operative provided an appropriate outlet. Some pointed to the involvement of the *Paguyuban* as a facilitating agency for expanding any co-operative programme.

When management were asked to identify the ideal concept for promoting a welfare programme they pointed out that it should be to strengthen welfare services through the existing co-operative, supported by *Paguyuban* groups.

Leaders of factory co-operatives tend to be workers, although some are staffed by management and administrative staff and involve only a limited number of workers in their running. Despite upper credit limit problems, respondents felt that co-operatives are an important facility provided at the factory and should be expanded for two main reasons; firstly, to improve the capability of workers to obtain basic needs of reliable quality; and, secondly, at the same time they have the potential to become a centre for savings, especially in the context of obtaining improved housing facilities. For instance, if an individual worker saves Rp.25,000 each month, within a year it would become Rp.300,000. In a factory employing 3,000 workers, if each one participated, an aggregate of 75 million rupiah would be accrued which is a sum more than sufficient to initiate and construct a housing scheme. This idea came up during a focus group discussion, where most participants were aware that renting is expensive.

The members, therefore, felt that any savings which would provide an opportunity to meet their future housing needs should be encouraged. An initiation was made in 1994 by the State Minister of Housing and the Minister of Manpower to develop cheap housing facilities for workers, especially those residing in crowded areas, such as Tangerang. The idea was to construct accommodation for workers with young and small families. Nothing, however, has been done as there is deadlock regarding who should finance the project. The envisaged mortgage price is approximately five million rupiah per unit payable over twenty years.

The linkage of co-operatives to other welfare services are obvious in most companies; 92 per cent of those respondents with access to co-operatives accept the small family norm, and over 70 per cent are family planning acceptors, compared with only 36 per cent of those without access to co-operatives. Factory-based family planning services are available to 60 per cent of the labour force who have access to factory co-operatives, compared with only 22 per cent of those without co-operatives. On the effectiveness of factory family planning clinics, 70 per cent of respondents with access to co-operatives gave a positive answer which was much higher than the 42 per cent where co-operatives are not available. Again, workplace medical services are available in 93 per cent of the factories with co-operatives, compared to only 59 per cent of those without co-operatives.

The observed linkage between the existence of co-operatives and sports facilities was also considerable; 91 per cent of those employed in companies with co-operatives have access to sport facilities, while 74 per cent have access to recreational programmes. In factories without co-operatives, the corresponding percentages were much lower, being only 42 per cent and 40 per cent respectively. Forty per cent of employees in companies with co-operatives were also offered a subsidy for

recreational activities, but only 8 per cent of those without co-operatives had the same opportunity. Of respondents in factories with co-operatives, 98 per cent have a union, while only 42 per cent of respondents in non-co-operative factories are unionised. With respect to collective labour agreements (CLA), 87 per cent working in companies with co-operatives have a CLA; 80 per cent of those working in plants with co-operatives are satisfied with the performance of their union leaders. Ninety seven per cent of workers in factories with co-operatives, participated in the *Jamsostek* programme, against 35 per cent of those without co-operatives. There was also a close relationship between co-operative programmes and industrial peace, indicated by the fact that 70 per cent of respondents with access to co-operatives were in stable relations with management, while the percentage of those without co-operatives was much lower at only 35 per cent.

To avoid any misuse, participants at the meetings suggested that co-operatives should not be run exclusively by management but this should be done through a committee involving both parties; employers could be represented by the personnel manager or administrative staff and workers represented by the existing unions, or if such a union did not exist, workers representatives elected by their colleagues. This would create an acceptable co-operative system which could also positively affect day-to-day relations between workers and management, by stimulating a friendly environment for both parties. To accept this mechanism, employers must be fully aware of the extent to which a co-operative can improve the quality of the work-force, and consequently productivity. Employers should accept the responsibility for the initial launching of a co-operative by providing facilities, such as office and shop premises. It is also necessary to invite experts to talk to the workforce about successful factory based co-operatives and the administrative tasks involved. This highlighted the need for government persuasion to ensure that employers accept their

obligation to establish a co-operative, as currently, there is no obligation for them to do so.

The presence of a co-operative, either at the workplace, or in the living environment, facilitates coping with the day-to-day needs of the workforce. During the course of the group discussions it became clear that employees appreciated that the co-operative mechanism could be extended to cover both transportation needs and the provision of a savings mechanism in order to meet future needs, such as housing facilities.

PT Jamsostek has the potential to expand its programme by promoting housing for workers, given the fact that a large number of its contributors are in need of such a facility. According to Mahendra (1997) although the *Jamsostek* programme is designed to cover four schemes (death, accident, old age pension and medical services), it could be expanded to include savings for the provision of housing facilities as well. This could be achieved by amending Law No. 3 of 1992.

9.6 Housing co-operatives

The lower paid wage-earners, are the most vulnerable because of malnutrition, originating from low wages and poor living conditions. This is the situation in Tangerang where some analysts (e.g. Mahendra, 1997) consider that the industrial district has become a *new slum area*. The most important means by which to elevate workers above this environment is through developing a residential area based on good sanitation and affordable houses. During the observation, a workers' residential area was visited where approximately 1,500 workers live in a comparatively better quality

of accommodation akin to the *Garden Village* concept of late nineteenth century Britain. The location is about 5 km from the centre of the town and only about 7 km from the industrial complex. Most of the occupiers are married workers. The following points emerged from discussions with the occupants.

Budi (31, male) works at a textile factory and has lived in this area for five years. When they moved in 1993, he said less than 100 households lived there but currently the dwellers exceed 400 households. The complex was set up by workers from the same factory, the complex is called *PT Papan Sejahtera* which literally means Centre for Workers' Welfare. After three years, many workers felt that the centre should be expanded to meet the demands for accommodation being made by workers from other factories, since land was still available. In 1994, the local government authority and the religious leaders, in collaboration with private developers, come together to expand the area. The location now covers more than 25 hectares of land. Budi stated that he and his family are very happy to live in this complex, although he has to travel to work by public bus. The centre owns the public health services, which are integrated with the *Puskesmas* (Community Health Centre). In this clinic, family planning services are also available. Budi explained that the community had already suggested building a co-operative shop, but no funding had yet been raised from the local community. The idea, was to set up a co-operative owned by all members of the community.

Sunarti (25) and her husband Tjokro (29) both work at the same garment factory and own their house in the complex. She said that, together, both incomes are enough to pay their twenty year mortgage. They plan to have only two children, currently they have one, a boy. The house consists of a living room, two bedrooms, a kitchen, a bathroom, and is built on 70 square metres of land. They also have a small

garden. The place where she now lives is ideal for children, having a primary school just next door, a health centre just a couple of minutes walk away. A sport centre is also available.

Suyono (25) and his wife, Harti do not, however, enjoy such accomodation. Both are workers at a garment factory and have four and three years work experience respectively. They have no children. When they applied for a house the developer informed them that one was not currently available so they were placed on a waiting list. They have been on that waiting list for over a year. According to the developer they would be given *keys*, an expression of availability of such a house to be occupied the next month. Although, they have already paid an advance payment, they still anticipate having to wait for several months more (Interview on January 27, 1996).

During a visit to Cikarang region, West Java, it was observed that a group of companies had provided low-cost housing facilities for workers with the support of a successful local businessman. Priority is given to married workers in allocating these houses which are relatively cheap and of reasonable quality. The premises are, however, specifically designed for workers in the company group.

9.7 Efforts for developing housing for workers

The financing of housing co-operatives involves various funds which must be raised for the construction of the dwellings and development of their surroundings, as well as the promotion of relationships within the new community. Participants at group meetings suggested that, as far as possible, the company should provide the initial stages of construction, either through building the foundations or the basic shell,

with employees being responsible for all subsequent costs which could be deducted from their wages. This suggestion constantly emerged at the discussions.

Lewin (1981) has argued that the principles affecting housing finance for co-operatives in the developing countries do not differ substantially from any other housing financing for low-income households, with the exception perhaps of the particular emphasis on community facilities, the social organisation of management and maintenance. The distinct advantage, both for lenders and borrowers, lies in the system of collective loan allocation, disbursement, redemption, and security, as well as the fund-raising and savings of the co-operatives. The collective approach, which can only be adopted by a co-operative body, enables the lending institution to allocate and manage building loans economically, releases it from the task of establishing a project's viability and supervising construction development, and offers an adequate system of security through the reserve funds and other guarantees offered by the co-operatives.

During group discussions, it was felt that co-operatives, along with the *Paguyuban*, could support such action. It was also argued that an integrated approach should be taken, involving local authorities, and including religious leaders who own a large amount of land in the area. It is argued that if housing co-operatives could be promoted democratically and be self-administrated, they could create integrated communities for low-income households which comprise the great majority of urban populations. They would then serve as an important instrument with which to approach urban housing problems. Lewin (1981) argued, however, that self-administration and self reliance imply comprehensive technical, financial, administrative, and legal expertise. For this reason, he said that the promotion of

housing co-operatives for employees depends on the continual training and education of the prospective members and their representatives.

Participants in a number of discussion groups pointed out that PT Jamsostek should expand its programme to cover the provision of standard housing facilities for workers, through an appropriate credit system. PT Jamsostek, as a financial institution, could finance a project as part of a programme designed to utilise its resources and at the same time make a profit, however, such a proposal has yet to be approved by the Minister of Finance. Such a model has been used by several private housing facilities. If employers were to become involved in providing such housing facilities for their workforce, employees would see this as an improvement in their real income and, hence, their welfare which, in turn, could lead to an improvement in worker/management relations.

9.8 Summary

This chapter has revealed that workers exist in a depressed living environment. Most live in dirty, crowded conditions with inadequate sanitation facilities. Many of those interviewed argued that the government should take immediate action to improve such conditions, for instance, by enabling PT Jamsostek to expand its programme through developing housing schemes. These workers would be prepared to participate in such an activity through savings, which could be deducted directly from their wages. In other words, government was urged to provide cheap housing facilities, using an integrated programme, involving employers, PT Jamsostek, workplace co-operatives, and local religious leaders.

Traditional institutions such as the *Paguyuban* and *Arisan* gatherings could improve worker/management relations at the local level. The advantage of these meetings is that they provide a forum to discuss, freely, matters which involve daily life, either at the living environment or at the workplace. This is possible, because middle-level managers fully participate in these gatherings. At the same time, Paguyuban may also provide a situation where workers can freely evolve a strategy which could form the basis for a new organisation, such as a trade union, to emerge.

CHAPTER TEN

CONCLUSION

This study has explored the basic fundamental principles of the *Pancasila* industrial relations (*PIR*) concept in Indonesia, in the context of implementation at the plant-level in the textiles, garment and footwear manufacturing industries, in three sub-district of Tangerang, West Java. The study confirms Dunlop's systems theory of industrial relations, which is defined as a sub-system of the socio-political system in a specific environment.

In 1974, the Government of Indonesia introduced the concept of *Pancasila* industrial relations which emphasises an informal approach, utilising traditional cultural values as the backbone of the industrial relations system; an approach which required deliberation to reach consensus, thus avoiding a confrontational approach. The current situation is very volatile, as a result of the direct involvement of the international labour movement in national discussions. Both the ICFTU and international sectoral organisations in Europe support the emerging SBSI, which is not recognised by the government as a national trade union, despite the fact that SBSI claims to be an independent organisation. The government, however, recognises it as a welfare oriented NGO. Observations made during the field work revealed that, while SBSI has a branch office in Tangerang (staffed by three laid-off workers), there was no evidence that it existed at even one factory observed; despite its claim to have, in 1995, a membership of approximately 500,000 throughout Indonesia.

The observations confirm the views put forward by the International Labour Organisation (ILO), and other regional trade union movements, that the right to organise for workers in Indonesia is neglected. In general, the study suggests that there is a long way to go in the implementation of the concept in a democratic way. There are, however, indications that the PIR framework can work at a practical level, given the desire of workers to achieve this goal. This point is acknowledged by 98 per cent of the respondents in the survey.

The PIR system, in practice, is weakened by government intervention, which hampers the establishment of individual unions. It is only recently that the government has allowed factory-based unions (SPTP) to be set up without automatically affiliating to the national federation. This means that, among the tripartite constituents, the government is playing the predominant role within the industrial relations system, hence, the implementation of the *PIR* concept is very top-down.

Aganon et al (1994) found that the introduction of welfare services has to have genuine support from plant-owners and management. The current study confirms these findings and indicates that the idea of a welfare concept is accepted by most employers and workers. Some reluctance was, however, encountered in certain companies, especially those owned by foreign-based enterprises. There is no opposition whatsoever on the part of management and/or factory owners to the concept of providing welfare services. Shortcomings do exist, however, in terms of implementation, because most managers and owners are not aware of the basic criteria for setting up a programme. Most would be happy if the government were to introduce obligatory regulations.

There is a tendency for welfare services to be provided in lieu of a union. Most foreign-owned companies provide an excellent welfare programme, and workers are paid well above the minimum wage level, but at the same time workers are not allowed to set up their own organisation. In the context of workers' welfare, the study has shown that there is a desire to implement such programmes on the part of both employers and workers. In fact, there is a mutual understanding that the implementation of welfare services has the potential to improve productivity. On the one hand, workers want to improve their standard of living through maximising welfare services, while on the other, employers want to achieve maximisation of profit through a healthy and dedicated workforce. In this way, both desire can be accommodated, thus reducing tension in industrial relations practices.

The government maintains that such a system reduces *struggle* and *antagonism* between the respective parties in the industrial relations scenario, while at the same time *partnership* in the production process is promoted, although, in practice, labour unrest continue to exist. The policy of the current government seeks to achieve industrialisation by implementing three development strategies. These are: *national stability*, *economic growth* and *social justice*. While the first two objectives have so far been achieved, the third has not, while the economy has grown by over 6 per cent annually during the last 30 years, workers still live in a depressed, dirty and over-

crowded living environment and endure sub-standard working conditions. This does not induce improvements in productivity.

With regard to the right to organise in a genuine way, throughout the history of the trade union movement in Indonesia, workers have had little access to freedom to unionise. It was only in 1994 that the Minister of Manpower introduced the concept of the creation of factory-based trade unions (SPTP). For the first time that it has been possible to develop a genuine trade union at plant-level. Under the SPTP concept, *freedom of association* is now guaranteed.

There is a great deal of mutual self help (*gotong royong*) taking place in the communities where workers reside in the form of social gatherings, where both workers and middle managers participate. These range from large projects such as building a water drainage channel, through cutting grass and general environmental improvements, to sick visiting and volunteer work at family planning outlets. Most workers contribute inputs into communal self-help activities on their day-off work. These social gatherings can facilitate the process of setting up indigenous trade unions, while at the same time improving social relationships between workers and management.

Workers are attempting to organise within the framework of traditional social settings, based on the indigenous institutions of *Paguyuban* and/or *Arisan* and, while the latter is primarily concerned with the making and rotating of savings, it also facilitates *gotong royong*. The main objective is to maintain a social relationship, hence, the meetings take place among workers from the same locality. These informal

linkages provide an opportunity for workers to talk about various issues, including how to improve the quality of the workplace relationship. The concept of informal organisation within ethnic groups has its origin in the traditional social setting within the Indonesian community, especially the Javanese. The current study found that this traditional institution of rural Java is still vibrant among factory workers, especially among low-income-earners. Hence, social relationships are at the heart of the workers' community. The older generation of factory workers wish to see this mechanism strengthened in order to maintain family ties.

The study shows that *Paguyuban* becomes a link between workforces from different plants. For instance, at one accommodation site, there were twenty workers employed at five different factories. During off-work periods, workers talk to each other on aspects of the workplace environment and, automatically, a personal factory-based problem becomes *everybody's problem* which is then tackled through the *Paguyuban* gathering. With the assistance of *Paguyuban* leaders, these matters can then be taken to the district union office. This initial awareness and development of issues was raised in many group discussions.

Members believe that they are the basic unit to improve social welfare among themselves. Workers stated that, in these gatherings, attempts were made to improve workers' social welfare by discussing family-related problems as well as developing methods, related to future needs. At several *Paguyuban* meetings observed, workers were free to express their genuine feelings regarding workplace relations, with personnel managers who attended the meeting as an ordinary member of the *Paguyuban*. This is contrary to the existing trade union structure, where the union does not provide *freedom of expression*. Consequently, as meetings provide an

opportunity to express feelings about the working environment, *Paguyuban* gatherings have a positive impact on relationships with management, given the fact that not only does the leader of the *Paguyuban* pass messages on, but middle managers can become prominent members of the *Paguyuban*. It is important to bear in mind that *Paguyuban* meetings discuss not only daily life and workplace related problems, but also consider the development of co-operatives and social clubs which can lead to the enhancement of community and family welfare. Such gatherings also positively influence participation in the family planning programme.

A particular national industrial relations system in Indonesia should be developed in order to accommodate local conditions. While strong trade unions are relevant to the industrial relations system based on *Pancasila* principles, the bottom line of the system is to have *mutual understanding* between the parties concerned. The trade union concepts prevailing in western industrialised economies are, however, not relevant in the emerging economies of the Pacific rim, specifically in Indonesia. Given that *Paguyuban* is well perceived at the local level, the most appropriate strategy is to encourage the existing traditional form of *Paguyuban*, together with the emergence of factory-based trade unions (SPTP). *Paguyuban* gatherings could function with the SPTP as an independent organisation, both working hand-in-hand without relying on any central organisation. In this way there would be an opportunity for workers to organise freely and to run their own organisation without interference from *outsiders*, either national or international. Such a system would conform to the ILO Convention No. 98 of 1949 on workers' rights to organise and bargain collectively, which Indonesia ratified in 1957.

The potential is not yet fully appreciated, however, this study has shown that *Paguyuban* and *Arisan* meetings are alternative ways which workers may appreciate to communicate with employers, and so overcome the lack of impact of the existing trade union. There is a need to evaluate whether such an approach can work in conjunction with the existing union structure.

Basically, the national system needs to be transformed to allow a more informal approach to be developed at local level, but one which is supported by more formal arrangements should also be encouraged, especially in the multi-national enterprises (foreign investors). In these cases, there is no shared ideology between the foreign capital owner and indigenous workers. Thus, specific development programmes have to be implemented in multi-national enterprises. Firstly, the interests of individual employers, who are conforming with the existing regulations, have to be accommodated. Secondly, the national collective bargaining framework should take into account and reinforce the general principles regarding working conditions and environment, minimum wages, safety and health and welfare services. Thirdly, the local *Paguyuban* leaders should be encouraged to get involved and take a lead in the local bargaining process, so that they become aware of their potential role. One major obstacle must, however, be overcome. This is the fact that, in many cases, foreign manufacturing institutions are not aware of the prevailing traditions and cultural practices.

In conclusion, the present study has thrown up a number of interesting observations that should be borne in mind as the industrial relations system in Indonesia evolves into the twenty-first century.

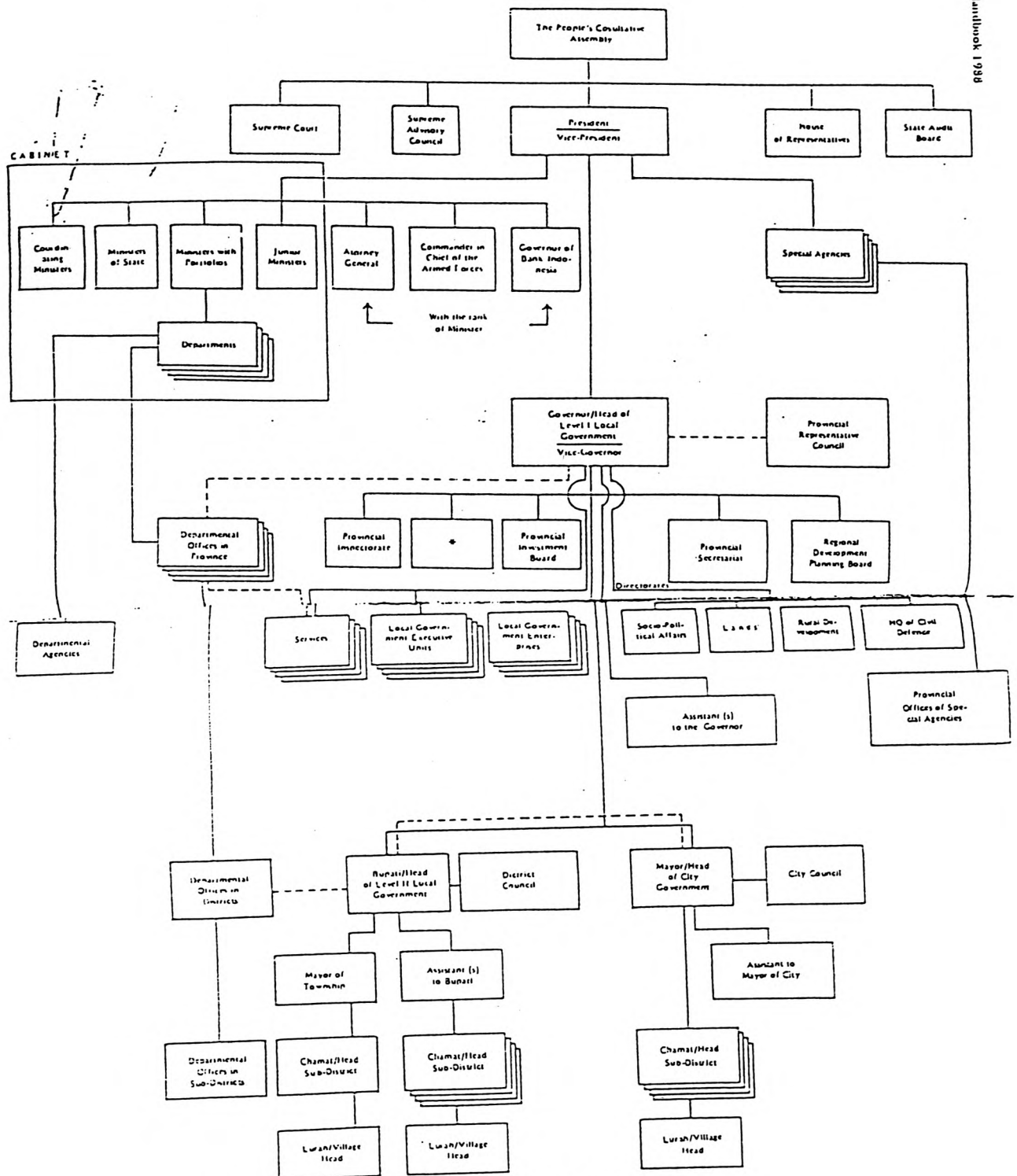
The first is that the western oriented trade union structure, enshrined in ILO Conventions and Recommendations, are not appropriate within the cultural environment of Asian countries, especially in Indonesia. There is, however, a solid basis on which a more relevant indigenous industrial relations structure could be built. In Indonesia, this is the *Pancasila* industrial relations (PIR) system, first formulated in 1974, but as yet not universally endorsed at plant-level due to the hesitancy of the government in adequately communicating the issues involved. While *PIR* encompass and enshrines the cultural concepts of the people of Indonesia, the traditional institutions of *Paguyuban* and/or *Arisan* can be utilised to create an appropriate means of communication between workers and management. Together, *Paguyuban* and the *PIR* concept can provide a relevant industrial relations system for the emerging industrial sector in Indonesia.

The second observation is the need to increase the attention given to the expansion and provision of welfare services at plant-level. The provision of welfare services is a more appropriate means of improving living standards and, hence, family welfare, than minimum wage legislation. For this to be effective, however, government guidance in the form of appropriate legislation is required. This is particularly true in order to overcome the lack of awareness and understanding on the part of foreign-owned companies attracted to Indonesia, in the first place, by the prevailing low wage levels and the significant excess supply of labour. The government must, in future, make it clear to incoming entrepreneurs that Indonesian labour is not there simply to be exploited.

There is clearly a need for more focused research studies in the area of industrial relations in Indonesia. Two main areas can be identified.

Further analysis of the potential of the Pancasila industrial relations (PIR) system in the context of the international allegations regarding workers' rights in Indonesia. This needs to be done in order to compare the views of the international workers' movements, on the one hand, and those of the indigenous workers, on the other.

Detailed studies of the impact of specific welfare services should also be undertaken. To some extent, this has been done in the context of family planning services, but there is clearly scope for looking at the benefits to be derived from workplace co-operatives, the social security programme and the provision of adequate, industrial workers' housing schemes.

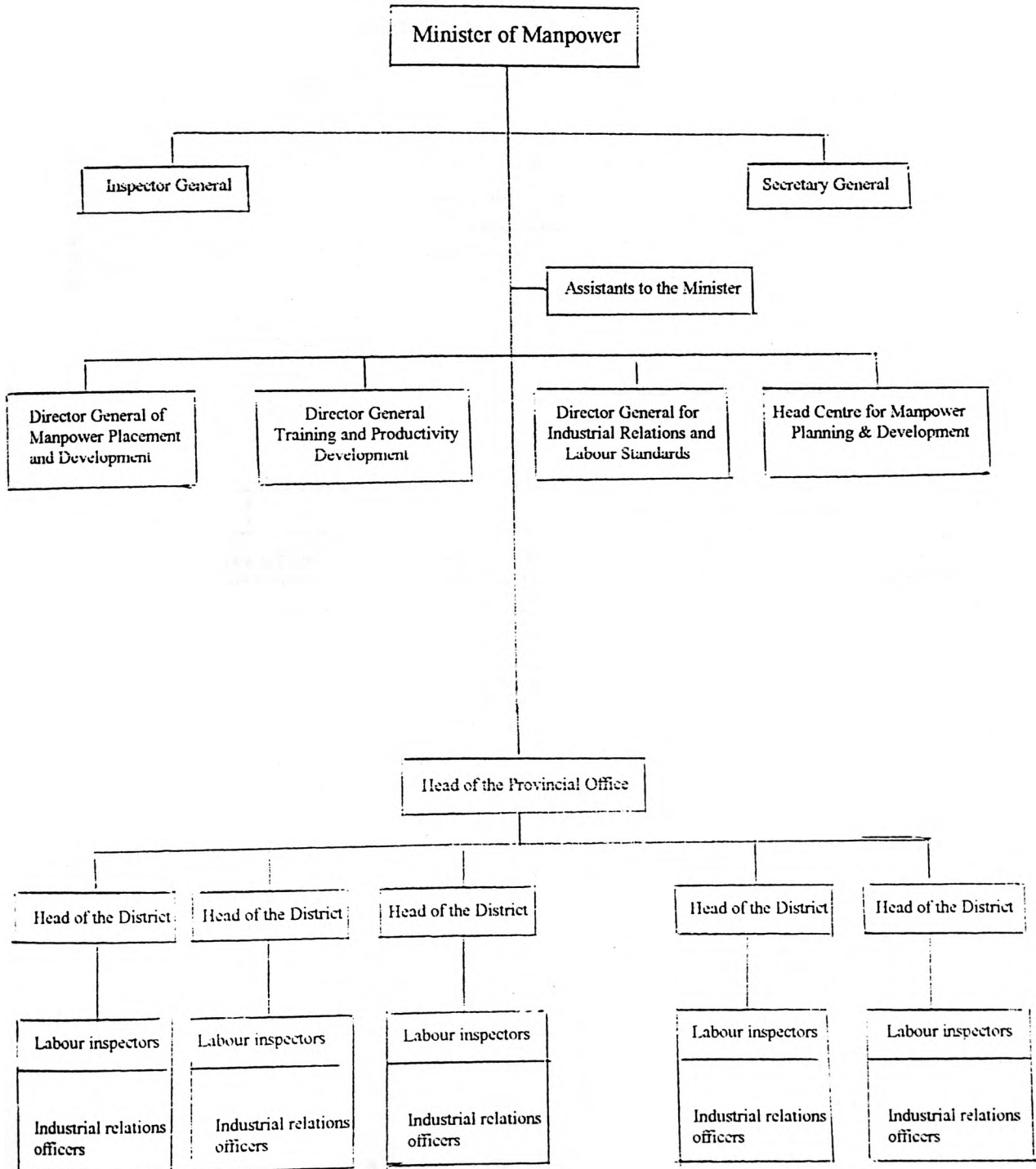


NOTE: This diagram shows the standard organization to which, in actual practice, there are several exceptions. Further, it has not been possible to include all units at lower levels, so it should be read that units at the District levels or Kabupaten and Cities are the same as those at the level of Governors.

*3P.7 The Institute for the Education and Guidance in the implementation of the Full Comprehension and Practical Application of Pancasila.

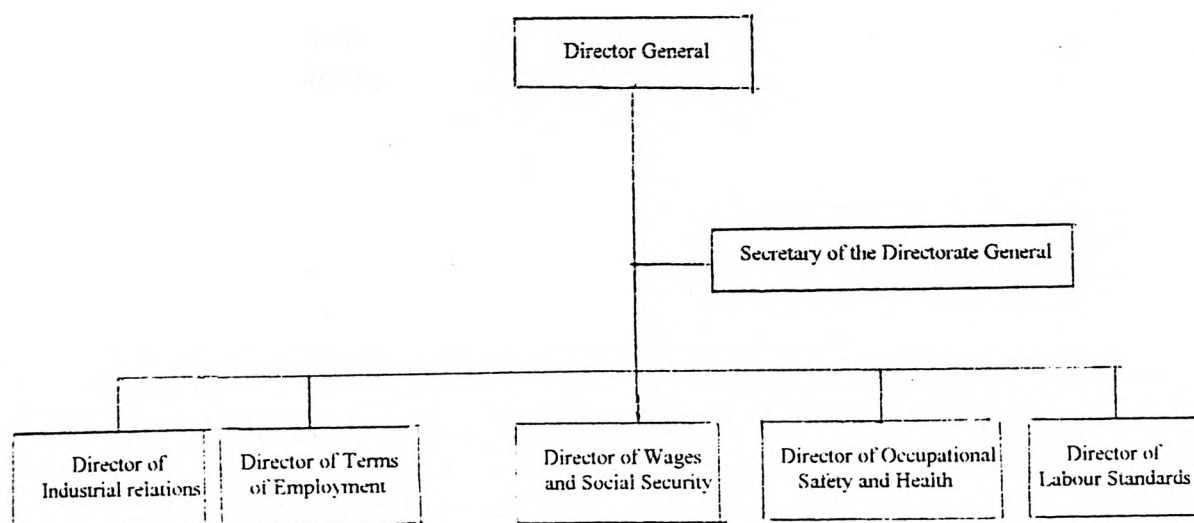
Source, Dept. of Information, 1988

Annex 2:
Organisation structure
of the Ministry of Manpower
Republic of Indonesia
(modified)



Annex 3

Organisation structure
Directorate General of Industrial Relations
and Labour Standards
(Ministry of Manpower, Indonesia)



Annex 4

**Seven Policy Priorities
Ministry of Manpower, Republic of Indonesia
(SAPTA KARYATAMA PELITA VI DEPNAKER)**

1. National Manpower Planning. The aim is to set up employment targets and monitor actual achievements so as to correct for deviations as well as minimise labour market mismatch by ensuring "Link and Match" between labour supplier institutions and labour demand. Regional manpower planning system will also be set up to complement the system at the central level.
2. Integrated Labour Market and Manpower Information System. An integrated regional and central labour market and manpower information system will be set up to assist in ensuring a quick and proper match between job seekers and employment opportunities.
3. Young Professional Entrepreneurs. Given the limited employment opportunities for a large section of graduates of tertiary education institutions, young professional entrepreneurship will be promoted. The participants in this programme will set up employment generating enterprises as well as motivate others to improve their businesses.
4. Apprenticeship Training. To improve the quality of human resources and increase the quantity of skilled resources, apprenticeship training programmes will be developed through ensuring better co-operation between establishments and training institutions, skill-test institutions and certification institutions.
5. Pancasila Industrial Relations and Labour Protection. In order to ensure industrial harmony as well as national stability, suitable mechanisms and institutions will be set up to create a peaceful working atmosphere and good working conditions. This will be done through developing co-operation and partnerships.
6. Enforcement of Labour Laws and Regulations.
7. Organisation Development. To support realisation of these goals the organisation structure and management of the Ministry of Manpower would be efficiently and effectively developed.

Annex 5

Workers' questionnaire

- (1) Please answer as many question as you can.
 - (2) Your answer are guaranteed of its confidentiality.
 - (3) This questionnaire is used for academic writing only.
 - (4) No policy-maker will be informed individually.
 - (5) Do support this research in order to improve your quality of work life.
 - (6) Your company and address will not be recognised.
-

General

- 1.1 Gender: (a)Male (b) Female
- 1.2 How old are you?
(1) 15 - 20 (2) 21 - 25 (3) 26 - 30 (4) 31 - 35 (5) 36 - 40 (f) Over 41
- 1.3 Place of birth:
- 1.4 Place of current resident:
- 1.5 What is your last education?
(1) Never go to school (2) Primary (3) Junior high (4) High school
(e) University
- 1.6 Marital status: (1) Married (2) Single (3) Widow (4) Widower
- 1.7 If married, how old are you at that time you got marriage?

Employment

- 2.1 What is the type of industry you work for?
(1) Textiles (2) Garments (3) Footwear
- 2.2 How long have you been working for this company?
(1) < 1 (2) 1 - 2 (3) 2 - 3 (4) 3 - 4 (5) 4 - 5 (6) > 5
- 2.3 How old were you when you first started working?
(1) < 15 (2) 15 - 20 (3) 21 - 25 (4) 26 - 30 (5) > 30
- 2.4 Have you ever worked elsewhere before? (1) Yes (2) No

- 2.5 If you have worked elsewhere, was it in a factory or other?
(1) Factory (2) Others
- 2.6 For how long did you work elsewhere? (1) < 1 (2) > 1
- 2.7 Where was your previous workplace(s) located?
- 2.8 Why did you change your job?
- 2.9 If you previously worked in a factory, what did it produce?
(1) Textiles (2) Garments (3) Footwear (4) Other
- 2.10 Have you undergone any vocational training? (1) Yes (2) No
- 2.11 If yes, was this training required for your current job? (1) Yes (2) No
- 2.12 What is your current occupation?
(1) Production workers (2) Supervisor (3) Technician (4) Others
- 2.13 What time do you start working?
(1) Morning shift (2) Afternoon shift (3) Night shift (4) Rotated shift
- 2.14 Is this job has any similarity with your previous one?
(1) Yes (2) No
- 2.15 How long have you been doing this work? (1) < 1 year (2) 1 - 2 years
(3) > 2 years

Income

- 3.1 How much is your basic weekly income? Rp.
(1) < Rp.30.000 (2) Rp.30.000 - Rp.40.000 (4) > Rp.40.000
- 3.2 What is the system of salary payment? (1) daily (2) piece rate (3) weekly
- 3.3 Do you have an opportunity to work overtime voluntarily? (1) Yes (2) No
- 3.4 Is overtime work an obligatory ? (1) Yes (2) No
- 3.5 How much is overtime wage rates? Rp.
(1) < Rp.2.500 (2) Rp.2.500 - Rp.5.000 (3) Rp.5.000 - Rp.7.500
(4) > Rp.7.500,-
- 3.6 Is overtime wage similar with standard paid rate? (1) Yes (2) No
- 3.7 If no, how much is overtime wage rates? Rp.

- (1) < Rp.2.500 (2) Rp.2.500 - Rp.5.000 (3) Rp.5.000 - Rp.7.500
(4) > Rp.7.500
- 3.8 Are you satisfied with the prevailing wage rate? (1) Yes (2) No
- 3.9 Is your salary based on government minimum wage rate? (1) Yes (2) No
- 3.10 Does the company pay higher wage than the minimum wage rate?
(1) Yes (2) No.
If yes, how much higher Rp.
(1) < Rp.1.000 (2) Rp.1.000 - Rp.2.000 (3) Rp.2.000 - Rp.3000
(4) > Rp.3000.
- 3.11 Are there other jobs in the company or elsewhere which would give you higher wages? (1) Yes (2) No
- 3.12 How much you think is the ideal wage for your current job? Rp.
(1) Rp.5.000 (2) Rp.5000 - Rp.6.000 (3) Rp.6.000 - Rp.7.000
(4) > Rp.7.000.
- 3.13 If you want to change your job, is it easy? (1) Yes (2) No
- 3.14 Does your wife/husband work? (1) Yes (2) No
- 3.15 What is the proportion of the total income of your household per week?
Rp.
(1) < Rp.30.000 (2) Rp.30.000 - Rp.40.000 (3) Rp.40.000 - Rp.50.000
(4) > Rp.50.000.
- 3.16 How much money does your household spend each week? Rp.
(1) < Rp.30.000 (2) Rp.30.000 - Rp.40.000 (3) Rp.40.000 - Rp.50.000
(4) > Rp.50.000.
- 3.17 Do you have enough income to :
- (1) have food at least twice a day for the whole family?
 - (2) buy clothes for you and your dependents at least twice a year?
 - (3) provide adequate accommodation for yourself and dependents?
 - (4) other, please specify
- 3.18 If you cannot afford to fulfil your family basic needs, you think your family income need to be improve? (1) Yes (2) No
- 3.19 Do you join Arisan (collected fund)? (1) Yes (2) No
- 3.20 If, yes, how much money do you spend for Arisan each week? Rp.

- (1) < Rp.5.000 (2) Rp.5.000 - Rp.10.000 (3) Rp.10.000 - Rp.15.000
(4) > Rp.15.000.

- 3.21 If you collect the arisan fund, how would you spend the money?
(1) Build a house (2) Buy new clothes (3) Save in the bank (4) Other
- 3.22 Do you have savings in the bank? (1) Yes (2) No
- 3.23 If yes, is it for the preparation of your future life? (1) Yes (2) No

Family size and responsibility

- 4.1 How many dependents do you have?
- 4.2 How many children do you have?
(1) One (2) Two (3) Three (4) More than three
- 4.3 How many births have you/your wife had?
(1) One (2) Two (3) Three (4) More than three
- 4.4 Are your children all alive? (1) Yes (2) No
If any of them died, how old was she/he at that time?
(1) < one year (2) 1 - 2 years (3) 3 - 4 years (4) More than 4 years.
- 4.5 How many children do you really want? (1) One (2) Two (3) > 2
- 4.6 What gender preference do you have? (1) Male (2) Female
- 4.7 Do you currently live with your dependents? (1) Yes (2) No
- 4.8 If yes, which one of the following accomodation do you live?
(1) Private house (2) Rented house (3) Company accomodation
- 4.9 If you do not live with your family, do you live in a company dormitory?
(1) Yes (2) No
- 4.10 If you live in a company dormitory:
(a) Do you share a room? (1) Yes (2) No
(b) Are meals provided? (1) Yes (2) No
(c) Is the food provided sufficient for your calorie? (1) Yes (2) No
- 4.11 If you do not live in a company dormitory, where do you live?
- 4.12 How much money do you spend for food each day? Rp.
(1) < Rp.1.000 (2) Rp.1.000 - Rp.2.000 (3) Rp.2.000 - Rp.3.000

(4) > Rp.3.000.

- 4.13 Do you use transport each day? (1) Yes (2) No
- 4.14 If yes, how much money do you spend for transport each day?
Rp.
(1) < Rp.500 (2) Rp.500 - Rp.1.000 (3) Rp.1.000 - 1.500 (4) > Rp.1.500.
- 4.15 Does the company provide for such transportation? (1) Yes (2) No
- 4.16 If the company do not provide transport, does it pay for the expenses?
(1) Yes (2) No
- 4.17 Are there chreches in your workplace? (1) Yes (2) No
- 4.18 If there is chreches in your workplace, how much money do you spend each week to take your child there? Rp.
(1) < Rp.5.000 (2) Rp.5.000 - Rp.10.000 (3) > Rp.10.000.
- 4.19 Do you think to have small family size, for instance family with two children will be better-off for you? (1) Yes (2) No

Medical and family planning services

- 5.1 If you or your dependents seek, will it be affordable for your to go to medical practitioners (doctor, midwife, nurse)? (1) Yes (2) No
- 5.2 Do you practice family planning? (1) Yes (2) No
- 5.3 If yes, what is your method of contraceptives?
(1) IUD (2) Condom (3) Tablets (4) Injection (5) Vasectomy (6) Tubectomy
(7) Others
- 5.4 Does the company provide family planning counselling, clinic and other services? (1) Yes (2) No
- 5.5 If Yes, please describe the type of services provided?
(1) Counselling (2) Clinical facilities (3) contraceptive devices
- 5.6 Do you use workplace family planning services? (1) Yes (2) No
- 5.7 Does the company provide better family planning services compare to those provide at Community Health Centre? (1) Yes (2) No
- 5.8 Does the company provide general medical services? (1) Yes (2) No

- 5.9 If medical staff (doctor, midwife, nurse) are provided, how many time a week does the clinic open?
 (1) Twice a week for two hours (2) Twice a week for three hours.
 (3) Once a week for three hours (4) Other, please specify
- 5.10 Do you use the company general medical services? (1) Yes (2) No
- 5.11 If you are not using the facility, please specify why not?

- 5.12 Can you afford to use private doctor for : (a) Family planning services?
 (b) General medical services? (c) Emergency medical services?
 (1) Yes (2) No

Sport and recreational facilities

- 6.1 Does the company provide sport facilities such as football, volley ball, table tennis, badminton court? (1) Yes (2) No
- 6.2 Does the management arrange recreational activities? (1) Yes (2) No
- 6.3 Does this recreational activities pay by the company? (1) Yes (2) No
- 6.4 If no, does the company subsidy the programme? (1) Yes (2) No
- 6.5 What additional facilities would you like to see provided by the company?
 Please specify:

Co-operatives

- 7.1 Is Co-operatives has been set up in your place of work?
 (1) Yes (2) No
- 7.2 If yes, is the Co-operatives open an outlet where workers can buy daily needs, such as foodstuff, cigarette etc., or even borrow money available?
 (1) Yes (2) No
- 7.3 Do you think a Co-operatives will help reduce your daily expenditure?
 (1) Yes (2) No
- 7.4 If the company provide co-operatives shop within the factory complex, you think you will purchase your food-stuff, and others basic needs in this shops?
 (1) Yes (2) No

- 7.5 Can you borrow money at the co-operatives?
(1) Yes (2) No
- 7.6 Is your salary were cut-off because you already borrow money from the Co-operatives? (1) Yes (2) No
If yes, how much money is it ? Rp.
(1) < Rp.1.000 (2) Rp.1.000 - Rp.2.000 (3) Rp.2.000 - 3.000
(4) > Rp.3.000.
- 7.7 Does the Co-operatives provide low-interest rate you borrow money?
(1) Yes (2) No
- 7.8 Do you think if the Co-operatives has sufficient money and set up a transportation programmes you will be interested to join?
(1) Yes (2) No
- 7.9 Who is the principal leaders of the Co-operatives at your workplace?
(1) Management (2) Worker's union (3) Group of Workers (4) All workers
(5) Others.

Industrial relations

- 8.1 What is the industrial relations practice at your workplace?
(1) Relatively stable (2) Unstable (3) Don't know
- 8.2 If you have any problems in your workplace, who do you speak to?
(1) Colleagues (2) Supervisor (3) Wife/husband (4) Relatives (5) Other
- 8.3 Are you happy with what you can do now? (1) Yes (2) No
- 8.4 If no, please specify why:
- 8.5 What can you do about it? :
- 8.6 Do you do anything about it? :
- 8.7 Is there bipartite body at your workplace
(1) Yes (2) No
- 8.8 Is there a union to which you could belong at your workplace? (1) Yes (c) No
- 8.9 Is this union affiliate to SPSI? (1) Yes (2) No
- 8.10 If no, whose is it affiliate to? (1) SBSI (2) Others

- 8.11 If there is no union at your workplace, would you like to see one established?
(1) Yes (2) No
- 8.12 Choose any of the category below suitable for union's function:
(1) Improving industrial relations
(2) Improving income
(3) Improving welfare
(4) Other.
- 8.13 Would you be prepared to help establish a union? (1) Yes (2) No
- 8.14 Would you join a union if one is set up at your workplace? (1) Yes (2) No
- 8.15 If there is already unions in your workplace, do you belong to the union?
(1) Yes (2) No
- 8.16 If you are not belong to a union, why not? (please specify):
- 8.17 What are the advantages of being a union member?
(1) Having a representative to speak to the employer
(2) To have a channel in industrial disputes
(3) To improve wages
(4) To improve welfare
(5) Other
- 8.18 Do you hope that the union will contribute to improving your working condition, level of wages, welfare facilities provided by the company?
(1) Yes (2) No
- 8.19 What do you consider to be the most important activities as mentioned in q. 8.17? :
(1) (2) (3) (4)
- 8.20 How often does the union hold plant meetings?
(1) Once a week (2) Once in two week (3) Once a month
(4) Other.
- 8.21 Have you ever attend plant level union meetings? (1) Yes (2) No
- 8.22 Do you feel that you can have influence on union policy and leadership?
(1) Yes (2) No
- 8.23 Are you member of social security schemes (ASTEK)? (1) Yes (2) No
- 8.24 If yes, what type of programme do you take part in:
(1) Accident insurance? (2) Health insurance? (3) Old age security?

(4) Other

- 8.25 Are you familiar with the Pancasila Industrial Relations System?
(1) Yes (2) No
- 8.26 Based on PIR system every problem is resolved based consultation to reach consensus within workers and management, do you think this methods applicable in your workpalce? (1) Agree (2) Disagree.
- 8.27 Do you think PIR system work effectively at your workplace?
(1) Yes (2) No
- 8.28 Do you think your relations with employer based on partnership or merely based on capital ownership and wage earner, where in one hand employer tend to dictate workers to improve profit and you as a worker want to improve welfare?
(1) Based on partnership
(2) Not sure.
- 8.29 Are there strikes or disputes during the last five years in your workplace?
(1) Yes (2) No
- 8.30 Does the management called on the police or military to settle the disputes?
(1) Yes (2) No
- 8.31 Do labour inspectors/industrial relations officers from the Ministry of Manpower involed seriously in problem solving between workers and management?
(1) Involved seriously in problem solving
(2) Not very serious.
- 8.32 Is collective labour agreement exist at your workplace? (1) Yes (2) No
- 8.33 If exist, how does this agreement being negotiated, is there discussion which tend to eliminate distortion in order to achieve consensus?
(1) Based on consensus
(2) Unpredictable.

Union leadership

- 9.1 Are you satisfy with the efforts being taken by your union leaders?
(1) Yes (2) No
- 9.2 What is the process of selecting unions leaders?
(1) Election by all workers
(2) Selection by management

- (3) Based on candidacy
- (4) Other.

- 9.3 How many workers are categorised as union's leaders at your workplace?
(1) 1 - 5 (2) 6 - 20 (3) 11 - 15 (4) > 16
- 9.4 How many are active ? (1) 1 - 3 (2) 4 - 5 (3) 6 - 7 (4) > 8.
- 9.5 Are there any management intervention in electing or choosing the union leaders? (1) Yes (2) No
- 9.6 Are there any intervention from the government, military or police in conducting election of the union leaderships? (1) Yes (2) No
- 9.7 Is your union leader really maximising their effort to defend workers' rights and especially for the benefit for all members? (1) Yes (2) No
- 9.8 Are union leaders sometime cheat to you? (1) Yes (2) No
- 9.9 Are they belong to certain political affiliation? (1) Yes (2) No
- 9.10 Do you think the national leadership of SPSI represent enough to do what you really want them to do? (1) Yes (2) No
- 9.11 If no, what is your suggestion?
- 9.12 If yes, to what extent?

Thank you very much for your kind assistance and co-operation. Without your help, this research would never be completed.

Annex 6

Managements' questionnaire**Remarks**

- (1) Please answer as many question as you can.
 - (2) Your answer are guaranteed of its confidentiality.
 - (3) This questionnaire is used for academic writing only.
 - (4) No policy-maker will be informed individually.
 - (5) Do support this research in order to improve your quality of work life
 - (6) Your company and address will not be recognised.
-

General

- 1.1 Nature of product:
- 1.2 Nature of company : (a) Multinational (b) National branch
(c) Single plant
- 1.3 Size of Assets (In US\$:
- 1.4 Number of share-holders :
- 1.5 Range of share-holders :
- 1.6 Number of workforce : Male: Female :
(a) How many are production workers?
(b) How many are managers?
(c) How many are administrative state?
(d) How many are technician?
- 1.7 Number of workers offered profit-sharing arrangement:
- 1.8 Number of workers encouraged to participate in share-holders:
- 1.9 What proportion take up offer ? : %
- 1.10 First time this company established in this location: year
- 1.11 Why was this location being chosen?
(a) Cheap labour (b) Adequate infrastructure
(c) Easy access to transport (d) Easy access to market
(e) Relatively close to Jakarta (f) Others
- 1.12 What is the future prospect of this company?

(a) Very good (b) Good (c) Poor (d) Very poor.

Management structure

- 2.1 Composition of Board of Directors:
- 2.2 Management hierarchy:
- 2.3 Structure of personnel management office :
- 2.4 How many staff are there in the personnel division?

Welfare and family planning services

- 3.1 Please specify welfare programme implemented by the company:
(a) Transportation (b) Sport facilities (c) Educational facilities
(d) Religious amenities (e) Canteen (f) Dormitory
(g) Medical and family planning services (h) Others.
- 3.2 What are the facilities offered in welfare programme as mentioned in q. 3.1.?
- 3.3 Are workers being involved in decision-making for such programme?
(a) Yes (b) No
- 3.4 Does the company offered of such facilities to the neighbouring community?
(a) Yes (b) No
- 3.5 What sport facilities does the company provided?
(a) Football (b) volley ball (c) table tennis
(d) tennis yard (e) badminton court (d) etc.
- 3.6 Does the company implement a family planning programme?
(a) Yes (b) No, why not, please specify:
- 3.7 When was the programme being established? : Year:
- 3.8 What support does it get from the Board of Directors? Please specify:
- 3.9 What facilities are provided to the programme?
(a) financial (b) clinic accommodation (c) staff (d) counselling facilities
(e) meeting facilities (f) time off for workers.
- 3.10 Are creche/tpa facilities provided for the children of workers?
(a) Yes (b) No

- 3.11 Do workers has to pay for this facilities?
(a) Yes (b) No
- 3.12 How much does it child has to pay each week? Rp.
- 3.13 How much subsidy does the company provide? Rp.
- 3.14 Who is mainly responsible for family welfare programme implementation?
(a) Labour/management committee (b) Personnel office
(c) Trade unions (d) Worker volunteers
- 3.15 What benefits does the company gain from such a programme?
Can these be quantified in terms of :
(a) Productivity changes? (b) Financial benefits?
(c) Improved industrial relations? (d) Reduce absenteeism?
(e) Increase discipline? (f) Reduce labour turnover?
- 3.16 Does the company provide worker's co-operatives?
(a) Yes (b) No
- 3.17 If yes, what type of programmes are available ?

Labour force characteristics

- 4.1 How many workers are married:

	<u>Number</u>	<u>Percentage</u>
Male		
Female		

- 4.2 Number of "eligible couples" employed?
- 4.3 Average age of workforce (if known)? Male: Female :
- 4.4 Average age at first marriage (if known)? Male: Female :
- 4.5 Average number of children per family (If known)?

Industrial relations

- 5.1 Do trade unions operate in this company?
(a) Yes (b) No
- 5.2 If yes, are they affiliated to the SPSI?
(a) Yes (b) No

- 5.3 If no, whom are they affiliated to?
(a) SBSI (b) Other
- 5.4 What is the proportion of productive workers belong to a union?
- 5.5 What are the main activities of the unions?
.....
- 5.6 Does the company endorsed every union's activities?
If not, please specify any reluctance event?
.....
- 5.7 Does the company provide adequate time for workers to attend unions activities?
(a) Yes (b) No
- 5.8 Does the company intervene any union activities?
(a) Yes(b) No
- 5.9 How effective are the unions?
(a) Minimal (b) Marginal (c) Radical
(d) Significant (e) Persuadable
- 5.9 Are labour/management committees established and functioning?
(a) Yes(b) No
- 5.10 How would you describe labour/management relations within the plant? (a) Very good (b) Average (c) Poor (d) Very bad
- 5.11 Have there been any strikes during the past five years at the plant? (a) Yes (b) No
If yes, what is the specific issues:
- 5.12 How many time does the strikes occur in this plant?
Give year (s) and the duration of strike?
- 5.13 Has management called on the police or military troops to help settle strike issues? (a) Yes (b) No
- 5.14 Or does the management called on the police or military if it seems to be brutality? (a) Yes (b) No
- 5.15 Does the company make use of the labour inspector and industrial relations officers in dealing with worker/management problems?
(a) Yes (b) No

- 5.16 How effective are they?
(a) Very effective (b) Helpful (c) Helpless
- 5.17 Do they ask for any Burberry?
(a) Yes (b) No
- 5.18 Does the Pancasila Industrial Relations System function in this company?
(a) Yes (b) No
If no, why not?
- 5.19 Do you think other industrial relations system appropriate for your company?
(a) Yes (b) No
- 5.20 Do collective labour agreements function within this company?
(a) Yes (b) No
- 5.21 If yes, when was the first CLA agreed?
- 5.22 Does the CLA meet all the priority needs of the workers?
(a) Yes (b) No
- 5.23 Was the CLA reached on the basis of :
(a) Consensus (b) Relatively strong persuasion
(c) Intervention of management (d) Government intervention
(e) Police or military intervention

Workers' income

- 6.1 What is the proportion of income between the lowest level of workers to the top management? Ratio :
- 6.2 How much is the average wage of workers? Rp.
- 6.3 What is the basic rate of income per worker weekly? Rp.
- 6.4 Is it based on time or piece rate? (a) Time rate (b) Piece rate
- 6.5 Does the management encourage workers to work overtime?
(a) Yes (b) No
- 6.6 What are the overtime rates of income per worker? Rp.
- 6.8 Is overtime wage similar with any other time?

(a) Yes (b) No

6.9 Does the company pay as required by minimum wage?

(a) Yes (b) No

6.10 Does the company pay more than the average minimum wage?

(a) Yes (b) No

If yes, how much higher? Rp.

6.11 What is the proportion of each worker earn each week?

Rp.

6.12 Are any regulations that pay more for workers who have more dependents?

(a) Yes (b) No

Thank you very much, for your attention and co-operation. Without your help, this research would not be completed.

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